Calendar No. 2166

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2143

MODIFY RESTRICTIONS WITH RESPECT TO HOLDING MORE THAN ONE OFFICE

JUNE 6 (legislative day, JUNE 4), 1956.—Ordered to be printed

Mr. JOHNSTON of South Carolina, from the Committee on Post Office and Civil Service, submitted the following

REPORT

[To accompany S. 3681]

The Committee on Post Office and Civil Service, to whom was referred the bill (S. 3681) to modify certain restrictions with respect to holding more than one office under the United States, having considered the same, report favorably thereon without amendment, and recommend that the bill do pass.

PURPOSE

The purpose of the bill is to amend section 2 of the act of July 31, 1894, as amended, by striking out the words "two thousand five hundred dollars" and inserting in lieu thereof the words "five thousand dollars". The effect would be to permit a person holding an office, the salary of which is less than $5,000, to be appointed to another office.

STATEMENT

The act of July 31, 1894, as amended (5 U. S. C. 62), prohibits any person holding an office the compensation of which is $2,500 or more from holding any other office with compensation attached except (*a*) retired officers of the Army, Navy, Marine Corps, or Coast Guard whenever they may be elected to public office or whenever the President shall appoint them to office by and with the advice and consent of the Senate, (*b*) retired enlisted men of the Army, Navy, Marine Corps, or Coast Guard retired for any cause, and (*c*) retired officers of the Army, Navy, Marine Corps, or Coast Guard who have been retired for injuries received in battle or in line of duty.

When the exclusions indicated above are taken into account, it is evident that as a practical matter the act of July 31, 1894, as amended,

insofar as retired military personnel is concerned operates only against certain officers retired in the normal length-of-service manner.

The $2,500 limitation was a reasonable maximum under conditions that prevailed at the time of its enactment. In the 50 years and over since then, economic conditions have changed to such a degree as to make the $2,500 limitation totally unrealistic. This low limitation virtually bars a retired military man or woman from civilian employment with the Government and in many cases it means the loss of valuable skills which could and should be utilized. It is for this reason that the committee has raised the limit to $5,000.

AGENCY VIEWS

Following is the report of the Comptroller General:

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington 25, D. C., May 2, 1956.

B-127702

Hon. OLIN D. JOHNSTON,
Chairman, Committee on Post Office and Civil Service,
United States Senate.

DEAR SENATOR JOHNSTON: Your letter of April 23, 1956, acknowledged April 25, requests our views and comments on S. 3681. That bill proposes to amend section 2 of the act of July 31, 1894 (28 Stat. 205), as amended, by striking out "two thousand five hundred dollars" and inserting in lieu thereof "five thousand dollars."

The present statute, carried in the United States Code as 5 United States Code 62, prohibits any person holding an office the compensation of which is $2,500 or more from holding any other office with compensation attached, with certain exceptions therein specified. Section 212 of the Economy Act of June 30, 1932, as amended (5 U. S. C. 59a), permitted the receipt of retired military pay and compensation in a civilian position up to a maximum of $3,000 prior to amendment by the act of August 4, 1955. The amendment (69 Stat. 498), increases that limitation to $10,000 but as it made no change in the 1894 statute retired commissioned officers received no benefits under that amendment unless they came within one of the exceptions to the 1894 statute. The amendment proposed by S. 3681 would relieve that situation to a great extent. We see no objection to its enactment.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

UNIVERSITY OF MICHIGAN LIBRARIES

SECTION 2 OF THE ACT OF JULY 31, 1894

No person who holds an office the salary or annual compensation attached to which amounts to the sum of [two thousand five hundred dollars] *five thousand dollars* shall be appointed to or hold any other office to which compensation is attached unless specially authorized thereto by law; but this shall not apply to retired officers of the Army, Navy, Marine Corps, or Coast Guard whenever they may be elected to public office or whenever the President shall appoint them to office by and with the advice and consent of the Senate. Retired enlisted men of the Army, Navy, Marine Corps, or Coast Guard retired for any cause, and retired officers of the Army, Navy, Marine Corps, or Coast Guard who have been retired for injuries received in battle or for injuries or incapacity incurred in line of duty shall not, within the meaning of this section, be construed to hold or to have held an office during such retirement.

○

UNIVERSITY OF MICHIGAN LIBRARIES

Calendar No. 2167

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2144

EXTENSION AND EXPANSION OF "ECONOMIC DISASTER" LOAN AUTHORITY

JUNE 6 (legislative day, JUNE 4), 1956.—Ordered to be printed

Mr. HOLLAND, from the Committee on Agriculture and Forestry, submitted the following

REPORT

[To accompany S. 3559)

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 3559) to amend the act of August 31, 1954, as amended, so as to extend the availability of emergency credit to farmers and stockmen, having considered the same, report thereon with a recommendation that it do pass with an amendment.

This bill would extend for 2 years, until June 30, 1959, the authority to make "economic disaster" loans under Public Law 727, 83d Congress, and, with the committee amendment, would increase the amount authorized for such loans from $15 million to $50 million. The report of the subcommittee which held hearings on this bill, together with the report of the Department, is attached.

REPORT OF SUBCOMMITTEE ON AGRICULTURAL CREDIT AND RURAL ELECTRIFICATION ON S. 3559

Your Subcommittee on Agricultural Credit and Rural Electrification, to whom was referred the bill (S. 3559) to amend the act of August 31, 1954, as amended, so as to extend the availability of emergency credit to farmers and stockmen, having considered the same report thereon with the recommendation that it do pass with an amendment.

Public Law 727, 83d Congress, authorized "economic emergency" loans in areas where other credit was not available during the period ending June 30, 1955, and aggregating not more than $15 million. Public Law 117, 84th Congress, extended this authority to June 30, 1957. S. 3559 would extend it to June 30, 1959, and, as introduced, would authorize loans aggregating $50 million to be made under it after enactment of the bill. With loans made before enactment

this would bring the total authorization to about $65 million. Your subcommittee, after discussing loan requirements with officials of the Farmers' Home Administration, recommends that the total authorization be held to $50 million and that the bill be modified to make it clear that this includes amounts loaned before enactment of the bill. With the subcommittee amendments, the text of the bill would read as follows:

> That section 1 of the Act of August 31, 1954, as amended (68 Stat. 999; 69 Stat. 223), is further amended by striking out the figure "1957" and inserting in lieu thereof the figure "1959"; and by striking out "$15,000,000" and inserting in lieu thereof "$50,000,000".

Your subcommittee conducted hearings on the bill, together with a number of other credit bills. The testimony at these hearings, and the report of the Department of Agriculture, on the bill were favorable.

The report of the Department of Agriculture is attached.

SPESSARD L. HOLLAND, *Chairman.*
HUBERT H. HUMPHREY.
W. KERR SCOTT.
KARL E. MUNDT.
ANDREW F. SCHOEPPEL.

DEPARTMENTAL VIEWS

DEPARTMENT OF AGRICULTURE,
OFFICE OF THE SECRETARY,
Washington, April, 13, 1956.

Hon. ALLEN J. ELLENDER,
Chairman, Committee on Agriculture and Forestry,
United States Senate.

DEAR SENATOR ELLENDER: This will reply to your letter of March 30 requesting a report on S. 3559, a bill to amend the act of August 31, 1954, as amended, so as to extend the availability of emergency credit to farmers and stockmen.

The Department recommends the enactment of S. 3559.

Public Law 727, 83d Congress, as amended by Public Law 117, 84th Congress, authorizes the making of emergency loans from the revolving fund to eligible farmers and stockmen in those areas designated by the Secretary of Agriculture upon his determination that there is a need for agricultural credit, except for the refinancing of existing indebtedness, which cannot be met for a temporary period by commercial banks, cooperative lending agencies, the Farmers' Home Administration under its regular lending programs, or with other types of loans made by the Farmers' Home Administration pursuant to Public Law 38, and amendments thereto (63 Stat. 43, as amended, 12 U. S. C. 1148 (a), et seq.). The lending authority pursuant to Public Law 727, as amended, will expire on June 30, 1957. Based on the anticipated volume of loans during the current year, the present $15 million limit will not provide adequate funds for such loans during the 1957 crop year. S. 3559 would extend to June 30, 1959, the period during which such loans may be made, and would raise the ceiling on the amount which may be loaned to $50 million.

UNIVERSITY OF MICHIGAN LIBRARIES

Emergency loans are made available under Public Law 38 only in (1) areas which have suffered serious production disasters, and (2) areas within major disaster areas designated by the President pursuant to Public Law 875 (42 U. S. C. 1851 et seq., as amended), having a serious economic emergency. Without the authority contained in Public Law 727, as amended, emergency loans could not be made in areas experiencing serious emergencies because of economic conditions or other reasons, but which have not had production losses or have not been designated as major disaster areas pursuant to Public Law 875. Although the emergency credit needs of farmers and stockmen in many areas are being met through loans made pursuant to Public Law 38, there are many other areas in need of emergency credit from time to time because of economic conditions which cannot qualify, as described above, for loans under Public Law 38. At present, emergency loans pursuant to Public Law 727 are available in designated areas in 18 States. We do not know what the situations will be in these and other areas in the future but we think there is a need for a standby authority to make emergency loans available through June 30, 1959.

Public Law 727, as originally enacted for a period of only 1 year, contained a restriction of $15 million on the amount which could be loaned under this authority. It was contemplated at the time that this amount would be adequate for the 1-year period. However, with the later extension of the lending authority to June 30, 1947, and with the further extension to June 30, 1959, which would be authorized by S. 3559, we think the monetary ceiling for the making of loans pursuant to this authority should be raised to $50 million. This amount would be made available from the revolving fund.

The Bureau of the Budget advises that there is no objection to the submission of this report.

Sincerely yours,

/s/ TRUE D. MORSE,
Acting Secretary.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX, of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

PUBLIC LAW 727, 83D CONGRESS

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That until June 30, [1957] *1959*, the Secretary is authorized to make emergency loans for any agricultural purposes, except for refinancing of existing indebtedness, aggregating not to exceed [$15,000,000] *$50,000,000* to farmers and stockmen in any area or areas where the Secretary determines that there is a need for such credit which cannot be met for a temporary period from commercial banks, cooperative lending agencies, the Farmers Home Administration under its regular programs or under the Act of April 6, 1949, or other responsible sources.

* * * * * * *

90003°—57 S. Rept., 84-2, vol. 3——89

UNIVERSITY OF MICHIGAN LIBRARIES

Calendar No. 2168

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2145

FARM CREDIT ACT OF 1956

JUNE 6 (legislative day, JUNE 4), 1956.—Ordered to be printed

Mr. HOLLAND, from the Committee on Agriculture and Forestry, submitted the following

REPORT

[To accompany H. R. 10285]

The Committee on Agriculture and Forestry, to whom was referred the bill (H. R. 10285) to merge production credit corporations in Federal intermediate credit banks; to provide for retirement of Government capital in Federal intermediate credit banks; to provide for supervision of production credit associations; and for other purposes, having considered the same, report thereon with the recommendation that it do pass with amendments.

The Farm Credit Act of 1953 required the Federal Farm Credit Board, established by that act, to study and make recommendations to Congress as to methods whereby increased borrower participation could be effected in the management, control, and ultimate ownership of institutions operating under the supervision of the Farm Credit Administration. The Federal land banks have been completely farmer-owned since 1947. The Farm Credit Act of 1955, enacted during the first session of the 84th Congress, adopted, with minor changes, the recommendations of the Federal Farm Credit Board with respect to the banks for cooperatives. H. R. 10285 contains the recommendations of the Federal Board with respect to the production credit corporations and the Federal intermediate credit banks by pro-

viding for merger of the production credit corporations into the Federal intermediate credit banks and the gradual retirement of the Government capital in these institutions. The enactment of this bill would provide the remaining legislation necessary to permit ultimate private ownership and management of all institutions operating under the Farm Credit Administration. Your committee believes that this bill would provide the means necessary to accomplish the major objective of the Farm Credit Act of 1953 and thereby provide a more effective credit service to agriculture.

The Senate companion bills, S. 3564, S. 3549, and S. 3550, were referred to a subcommittee which held extensive hearings and favorably reported the legislation in the form in which H. R. 10285 passed the House with the exception of minor amendments. The amendments recommended by the subcommittee and approved by the full committee would hold at the present level of $130 million the aggregate amount of the two revolving funds available for the capitalization of the Federal intermediate credit banks and the production credit associations.

Attached hereto are the subcommittee report and the report of the House Committee on Agriculture which fully explain this legislation. The bill was passed by the House as reported by the House Agriculture Committee with a minor amendment, enlarging the prohibition against distribution of the surplus of any Federal intermediate credit bank as patronage refunds so that it also precludes distribution as dividends. The analysis contained in the House committee report has been revised slightly so that, as contained herein, it describes the bill with the amendments recommended by this committee.

Report of the Subcommittee of the Committee on Agriculture and Forestry on H. R. 10285

Your Subcommittee on Agricultural Credit and Rural Electrification, to whom was referred the bill (H. R. 10285) to merge production credit corporations in Federal intermediate credit banks; to provide for retirement of Government capital in Federal intermediate credit banks; to provide for supervision of production credit associations; and for other purposes, having considered the same, report thereon with the recommendation that it pass with amendments.

The subcommittee amendments are as follows:

Page 5, line 22, after the word "to" insert "$30,000,000 plus".

Page 8, line 11, strike out "a".

Page 17, line 17, strike out "$100,000,000" and insert "$70,000,000".

UNIVERSITY OF MICHIGAN LIBRARIES

These amendments would have the effect of limiting the increase in the revolving fund available for capitalization of the Federal intermediate credit banks from $40 million to $70 million. As passed by the House, the bill would have increased this revolving fund to $100 million. Under the bill as thus amended the aggregate amount of the two revolving funds for the capitalization of the Federal intermediate credit banks and the production credit associations would be held at the present level of $130 million (now $40 million for Federal intermediate credit banks and $90 million for production credit). The Bureau of the Budget had questioned the need for an aggregate increase in these funds and your subcommittee, agreeing with the Bureau of the Budget, is of the opinion that the amounts provided in the amended bill are entirely adequate to meet the present and foreseeable credit needs of these farm credit institutions.

Your subcommittee carefully considered two other objections to the bill made by the Bureau of the Budget. As introduced, H. R. 10285 provided that, upon liquidation or dissolution of the credit banks, after provision for liabilities and retirement of all stock and participation certificates at par, any remaining portion of the surplus of the banks at the time of merger (amounting to approximately $62 million) would be paid to class A (Government) and class B (production credit association) stockholders pro rata. As passed by the House, this provision was amended to give the OFI's (other financing institutions rediscounting with the banks) doing business with the banks at the time of merger an interest, upon liquidation or dissolution, in this surplus (exclusive of that part transferred from the production credit corporations) to the extent that they have contributed to it over the period of years since the banks were first organized in 1923. Your subcommittee feels that the OFI's are equitably entitled to the treatment accorded them by the House committee amendment and that the bill as passed by the House protects fully the interest of the OFI's as well as that of the production credit associations. The Bureau of the Budget, on the other hand, contends that if the banks are ever liquidated, all of the surplus on hand at the time of merger should be paid to the Treasury.

Your subcommittee does not agree with the Bureau of the Budget for several reasons. First, the provisions of the bill relating to the disposition of this surplus are substantially the same as the provisions of earlier legislation relating to the comparable surpluses of the banks for cooperatives and

the Federal land banks. The Congress has recognized that the surpluses of these institutions have been built up through the payment of interest by farmers in amounts greater than required to maintain the system. Your subcommittee can see no justification for not treating all farm credit institutions alike in this respect, particularly since Congress approved the provision for the banks for cooperatives last year over similar objections of the Bureau of the Budget. Furthermore, it should be noted that this bill affords even greater protection to the surplus by reason of the requirement that, if depleted by losses (the only way it could be depleted since it may not be paid out in patronage refunds or dividends) it must be restored before there can be any other distribution of earnings. Second, if the Government were given a continuing interest in the surplus as proposed by the Bureau of the Budget, the credit banks could never be fully farmer owned as was intended by the Farm Credit Act of 1953. Third, although most banks should pay out in a shorter period, it is estimated that it may take as much as 40 years for some banks to retire all of their Government capital. Thus, because of stock ownership, the Government will have an interest in the surplus for many years. Finally, under present law no credit bank has authority to liquidate voluntarily. If the Congress should give its consent to such liquidation, which seems unlikely, the Government would receive every dollar it has invested in the banks before there could be any distribution of the surplus since, under the bill, class A (Government) stock has first call on all assets in liquidation, subject only to the payment of debts.

The Bureau of the Budget also contends that the banks should remain under both the budget and the audit provisions of the Government Corporation Control Act until all Government-held stock has been retired. Your subcommittee feels that the provisions of that act should have the same application to the Federal intermediate credit banks as they now have to the banks for cooperatives and the Federal land banks. Therefore, the bill provides that only the audit provisions of that act shall apply to the credit banks, as is the case with the banks for cooperatives and the Federal land banks.

The principal purpose of the bill is to increase farmer participation in the management, control, and ownership of the Federal intermediate credit banks. It would carry out the recommendations made by the Federal Farm Credit Board with respect to the production credit corporations and the

UNIVERSITY OF MICHIGAN LIBRARIES

Federal intermediate credit banks pursuant to the Farm Credit Act of 1953. The bill was generally supported at the hearings by the production credit associations and most of the farm organizations. It was generally opposed by the OFI's. The bill is fully explained in the report of the House Committee on Agriculture attached hereto (the analysis contained therein being revised to explain the bill with the amendments recommended by your subcommittee).

SPESSARD L. HOLLAND, *Chairman.*
HUBERT H. HUMPHREY.
W. KERR SCOTT.
KARL E. MUNDT.
ANDREW F. SCHOEPPEL.

[H. Rept. No. 2160, 84th Cong., 2d sess.]

The Committee on Agriculture, to whom was referred the bill (H. R. 10285) to merge production credit corporations in Federal intermediate credit banks; to provide for retirement of Government capital in Federal intermediate credit banks; to provide for supervision of production credit associations, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill do pass.

The amendments are as follows:

Page 2, line 1, strike out "farmer ownership" and insert:

> increased farmer participation in the management, control, and ownership.

Page 3, lines 4 and 5, strike out "to be held by him on behalf of the United States,".

Page 12, lines 16 through 25, strike out the sentence beginning on line 16 and substitute the following:

> In the case of liquidation or dissolution of any Federal intermediate credit bank, after payment or retirement, as the case may be, first, of all liabilities; second, of all class A stock at par; third, of all class B stock at par and all participation certificates at face amount; any remaining assets of the bank shall be distributed as provided in this subsection. Any of the surplus established pursuant to subsection (a) of this section (excluding that transferred from the production credit corporation of the district) which the Farm Credit Administration determines was contributed by financing institutions, other than the production credit associations, redis-

counting with or borrowing from the bank on the effective date of the Farm Credit Act of 1956 shall be paid to such institutions, or their successors in interest as determined by the Farm Credit Administration, and the remaining portion of such surplus (including that transferred from the production credit corporation of the district) shall be paid to the holders of class A and class B stock pro rata. The contribution of each such financing institution under the preceding sentence shall be computed on the basis of the ratio of its patronage to the total patronage of the bank from the date of organization of the bank to the effective date of the Farm Credit Act of 1956. Any assets of the bank then remaining shall be distributed to the holders of class B stock and the holders of participation certificates pro rata.

Page 14, line 25, strike out " 'seven' " and insert " 'five' ".
Page15, lines 10 and 11, strike out all of subsection (e).
Page 15, line 12, strike out "(f)" and insert "(e)".
Page 15, following line 17, insert the following:

(f) Section 203 of the Federal Farm Loan Act, as amended, is amended (i) by inserting in subsection (a) thereof, after the words "outstanding consolidated debentures" the words "or other similar obligations"; and (ii) by inserting in subsections (d) and (e) thereof, after the word "debentures" wherever used therein, except in the last sentence of subsection (d), the words "or other similar obligations".

Page 17, beginning on line 8, insert a period after "Act" and strike out the rest of the sentence.
Page 18, line 12, strike out "borrowers" and insert "borrowers."
Page 18, line 13, insert "and" after the semicolon.
Page 18, lines 15 through 22, strike out the semicolon on line 15, insert a period, and strike out the rest of the sentence.

STATEMENT

Section 2 of the Farm Credit Act of 1953 (Public Law 202, 83d Cong., approved August 6, 1953) states that it is the policy of the Congress "to encourage and facilitate increased borrower participation in the management, control, and ultimate ownership of the permanent system of agricultural credit made available through institutions operating under the supervision of the Farm Credit Administration." That section also requires the Federal Farm Credit Board, established under the provisions of that act, to make legislative recommendations for carrying that policy into effect, including means of increasing borrower participation in the ownership of the Federal Farm Credit System to the end that the investment of the United States in the Federal intermediate credit banks, the production credit corporations and the banks for cooperatives may be retired.

Pursuant to the obligation imposed upon it by the 1953 act, the Federal Farm Credit Board made recommendations in December 1954 relating primarily to the banks for cooperatives and the production credit corporations. The Farm Credit Act of 1955 (Public Law 347, 84th Cong., approved August 11, 1955) contained the recommendations of the Federal Board with respect to the banks for cooperatives.

UNIVERSITY OF MICHIGAN LIBRARIES

The recommendations of the Board with respect to the production credit corporations were not enacted because objections voiced at the hearings indicated that the matter needed further study. In addition, the Federal Board had made no recommendation concerning the retirement of the Government capital in the Federal intermediate credit banks and the committee thought it advisable to consider legislation for retirement of Government capital in both the corporations and the credit banks at the same time. Accordingly, the committee requested the Federal Board to give further study to the short-term credit institutions and to make new recommendations at the second session of this Congress.

The recommendations of the Federal Board relating to the production credit corporations and the Federal intermediate credit banks were submitted to the Congress on March 16, 1956. H. R. 10285, reported herewith, embodies these recommendations of the Federal Board.

At the hearings on the bill numerous witnesses, including representatives of the major farm organizations, appeared in support of the measure, although one farm organization suggested an amendment and another, while not endorsing any bill, favored legislation to provide for completing the "mutualization" of the Farm Credit System and the retirement of the remaining Government capital therein. The amendment suggested by the farm organization would have permitted other financing institutions (usually referred to in this report as "OFI's") organized and operated on a cooperative basis to participate in the purchase of the banks.

Representatives of financing institutions, other than the production credit associations, rediscounting with and borrowing from the intermediate credit banks were generally opposed to the bill. These institutions (the OFI's) were opposed to any legislation which would convert the intermediate credit banks to farmer ownership. They would prefer to see the banks continue wholly Government owned. It was the position of some, however, that if the Congress felt compelled to enact legislation, the OFI's should be afforded the opportunity to participate in the purchase and operation of the credit banks on the same basis as the production credit associations. Other OFI's stated that if legislation must be passed, it should provide for the retirement of Government capital in the banks out of earnings and that upon retirement of all Government held stock, the credit banks should become nonstock "public trusts" supervised by the Farm Credit Administration and operated in the interest of all users of the banks.

Except for the OFI's, only three witnesses appeared in opposition to the bill, and their objections were concerned as much with the timing of the legislation as with its content. One of the witnesses requested merely that the effective date of the legislation be delayed for an extended period beyond that proposed in the bill.

With one exception, the committee made only minor changes in the bill. These changes will be discussed in more detail in the report.

Federal Farm Credit System

There are in each of the 12 farm credit districts a Federal land bank, a Federal intermediate credit bank, a production credit corporation, and a bank for cooperatives. There is a Central Bank for Cooperatives located in the District of Columbia. Each district has a district farm credit board which also serves as the board of directors of each

of the four district institutions. Each district farm credit board consists of 7 members, 2 elected by the national farm loan associations of the district, 2 by the production credit associations of the district, 1 by the cooperative associations which hold voting stock in the district bank for cooperatives, and 2 appointed by the Governor of the Farm Credit Administration.

The Federal land banks provide farmers and ranchers with long-term credit on farm real estate through approximately 1,100 national farm loan associations. The Federal intermediate credit banks discount agricultural paper for and make loans to production credit associations and other financing institutions (OFI's) which make short-and intermediate-term loans to farmers and ranchers. The production credit corporations are not themselves engaged in making loans but supervise the production credit associations. The banks for cooperatives extend credit to farmers' cooperative marketing, purchasing, and service cooperatives.

The cooperative Federal Farm Credit System provides qualified farmers with credit on a sound basis adapted to their needs and at interest rates based on the cost of money in the market plus the cost of operating the system, including provision for adequate reserves. Funds which are loaned by the farm credit institutions are obtained largely from the sale of bonds and debentures to the investing public.

Each borrower from a Federal land bank is required to become a member of the national farm loan association through which the loan is made. The association is a farmer-owned cooperative organization chartered and supervised by the Farm Credit Administration. The borrower purchases capital stock of the association in an amount equal to 5 percent of the amount of his loan and the association is required to purchase an equal amount of stock in the Federal land bank of the district. Farmer members own all the capital stock of each of the approximately 1,100 national farm loan associations; and the associations, in turn, own all of the capital stock of the Federal land banks. The Federal land bank system is completely farmer-owned and has been since 1947 when the last of the Government capital was retired.

The production credit associations are cooperative organizations chartered by the Farm Credit Administration and supervised by the production credit corporations and the Farm Credit Administration. Each borrower from a production credit association is required to own class B (voting) stock in the association in an amount equal to 5 percent of the amount of the loan. The amount of class A (nonvoting) stock of the associations originally owned by the production credit corporations has been reduced from a peak of $90 million to about $2.2 million and 440 of the 498 associations are now entirely farmer-owned. Many members of the associations also own substantial amounts of class A stock. The production credit associations are, therefore, rapidly becoming wholly farmer-owned.

Under the provisions of the Farm Credit Act of 1955, enacted during the 1st session of the 84th Congress, each borrower from a bank for cooperatives is required to purchase each quarter class C (voting) stock in the bank in an amount related to the quarterly interest payable on its loans (from 10 to 25 percent as determined by the bank with the approval of the Farm Credit Administration). The annual net earnings of the banks, after reserves, dividends on class B (investment) stock, and franchise taxes are provided for, are

UNIVERSITY OF MICHIGAN LIBRARIES

required to be distributed in class C stock to borrowing cooperatives. Class A (Government-owned) stock of the banks is required to be retired each year in a minimum amount equal to the amount of class C stock issued for that year. Over a reasonable period of years it is expected that funds from the interest "override" and from net earnings will enable the banks to retire all class A stock now owned by the United States.

Two farm credit institutions—the production credit corporations and Federal intermediate credit banks—have always been and still are wholly Government-owned. Present law does not provide any means of converting either of them to farmer-owned institutions. H. R. 10285 would provide such means and thus make it possible to complete the job of converting all institutions supervised by the Farm Credit Administration to wholly farmer-owned institutions.

Federal Intermediate Credit Banks

The Federal intermediate credit banks were established in 1923 with an initial authorized capital of $5 million for each bank subscribed by the United States. Additional capital for the credit banks was provided by an act of Congress approved January 31, 1934 (48 Stat. 348). That act made available to the Farm Credit Administration a revolving fund of $40 million and authorized the Governor, with the approval of the Secretary of the Treasury, to subscribe for and to pay in such additional capital and paid-in surplus as he deemed necessary to enable the credit banks to meet the needs of eligible borrowers. As of December 31, 1955, the Government's capital investment in the banks was $62.4 million, consisting of the original $60 million of capital stock and $2.4 million of paid-in surplus, leaving $37.6 million in the revolving fund available for further investment in the banks.

The credit banks were established to provide agriculture with a permanent, stable, and dependable source of short-and intermediate-term agricultural credit. They serve as banks of discount and not as direct lending banks. They were authorized initially to discount agricultural paper for a number of different kinds of private lending agencies and later were also authorized to discount such paper for the production credit associations organized under the Farm Credit Act of 1933. Thus the banks make no loans direct to farmers and ranchers but instead finance the production credit associations and the OFI's which make such direct loans. In addition, the banks are authorized to make loans to and discount paper for the banks for cooperatives and to make certain types of direct loans to farmers' cooperative associations.

As a result of the growth and development of the production credit system supervised by the Farm Credit Administration, the major part of the credit business of the banks is now done with the production credit associations. During the fiscal year 1955 about 88 percent of the banks' average daily balances of loans and discounts was accounted for by the production credit associations. Among the districts this percentage ranged from 66 to 96 percent.

Most of the OFI's doing business with the credit banks are State-chartered, privately capitalized agricultural credit corporations and livestock loan companies, together with a few commercial banks.

The credit banks finance their lending operations primarily through the issuance and sale to the investing public of consolidated collateral

trust debentures and by direct borrowings from commercial banks. The United States assumes no liability for the debentures or other obligations of the credit banks.

Production Credit Corporations

The production credit corporations organized under the Farm Credit Act of 1933, like the Federal intermediate credit banks, are wholly owned Government corporations. A revolving fund of $120 million was used to capitalize these corporations. As of December 31, 1955, the amount of stock of the corporations held by the United States amounted to $31,350,000 and the earned surplus and reserves of the corporations amounted to approximately $13,500,000. There remains in the revolving fund $58,650,000 for future subscriptions to stock of the corporations, $30 million having been returned in 1949 from the revolving fund to the general fund of the Treasury.

The production credit corporations provide service to and supervise the production credit associations. They prescribe general loan policies for the associations and guide them in the application of sound credit principles. The corporations make credit examinations of outstanding loans on behalf of the Governor and review lending and collection policies of the associations. The corporations supplement the capital of production credit associations when necessary and appropriate. They also see that the associations return the corporation-owned capital as rapidly as conditions will permit. The corporations prescribe or approve interest rates charged by the associations. They approve the compensation of association personnel and generally guide the associations in the conduct of their business.

Production Credit Associations

The production credit associations are federally chartered corporations which make short- and intermediate-term loans to farmers and ranchers within designated areas. Like the production credit corporations, the associations were organized under the Farm Credit Act of 1933. Each production credit association has two classes of stock—class A (nonvoting) which may be issued to a production credit corporation or to farmer members and other investors, and class B (voting) stock which may be issued only to member borrowers. The associations are also authorized under conditions stated in the Farm Credit Act of 1953 to issue class C stock but so far none has been issued.

The production credit corporations furnished almost all of the initial capital of the production credit associations through the purchase of class A stock. Over the years, farmers have purchased substantial amounts of class A stock in their associations. Through purchases of stock and the building up of reserves and earned surplus, the associations have been able to retire most of the $90 million of capital stock once held by the production credit corporations. As of December 31, 1955, less than $2.2 million of the capital stock of the associations was owned by the production credit corporations and 440 of the 498 associations are now entirely member owned.

UNIVERSITY OF MICHIGAN LIBRARIES

Committee Amendments

With the exception of perfecting and clarifying amendments, the following is an explanation of the committee amendments to the bill:

Section 103

This section amends section 206 of the Federal Farm Loan Act, as amended, to provide a new method of distribution of the net earnings of the Federal intermediate credit banks. This section also adds a new provision relating to the distribution of the assets of the banks in the event of their liquidation. Under the language of the bill as introduced the surplus of the banks on the day of merger, amounting to about $62 million, would have been paid to the holders of class A (Government) stock and the holders of class B (production credit association) stock pro rata. The amendment made by the committee would give those OFI's doing business with the banks on the day of merger an interest in such surplus (exclusive of that portion transferred from the production credit corporations) to the extent that the Farm Credit Administration determines they have contributed to it over the period of some 33 years the banks have been in business. This interest of the OFI's would be computed on the basis of the percentage which their business is of the total volume of business done by the banks since their organization in 1923. Thus, under the language of the amendment, the OFI's would share proportionately in whatever amount of such surplus remains on the day of liquidation. Since the OFI's have contributed to building the portion of the surplus in question (amounting to about $50 million), the committee feels that they are equitably entitled to share proportionately in whatever amount of such surplus remains if and when the banks are liquidated. The remaining portion of such surplus (including the surplus transferred from the production credit corporations in which the OFI's would have no interest) would, as under the original language of the bill, be prorated among the holders of class A and class B stock. While liquidation of the banks is not contemplated or foreseeable, it is necessary to provide for that eventuality in order to resolve questions of ownership contemplated by the policy declaration of the Farm Credit Act of 1953.

Section 104

Under present law the credit banks have authority to discount paper with maturities up to 3 years. Section 104 (c) of the bill as introduced would have increased this limit to 7 years. While some increase is needed to permit production credit associations and OFI's to meet the demands of farmers and ranchers for longer term loans, particularly for semicapital purposes such as purchases of heavy farm machinery and equipment, the committee believes that a period of 7 years is too long. The committee amendment would reduce the limit in the bill to 5 years. This change would enable primary lenders to provide more effective credit service in this field to farmers and ranchers.

The committee also deleted from the bill section 104 (e) which would have repealed the prohibition in existing law against the credit banks, without the approval of the Farm Credit Administration, discounting notes and other obligations upon which the original borrower was charged a rate of interest exceeding by more than 1½ percent the discount rate of the bank. The committee feels that this provision of the

present law should be retained as a deterrent against excessive interest charges by lenders who wish to avail themselves of the facilities of the credit banks. While competition may accomplish this objective under normal conditions, it seems safer to retain this authority in the Farm Credit Administration.

Section 105

Section 105 (i) of the bill as introduced would have permitted the production credit associations to make loans to their members secured by agricultural commodities stored in bonded warehouses without the purchase of additional class B stock. This provision of the bill is contrary to the requirement, which was a part of the original law setting up the production credit system, that each borrower must own class B stock in an amount equal to 5 percent of the loan. This requirement is basic to the system and has been a principal factor in building the present financial strength of the associations. The committee has deleted this provision from the bill because it is thought that, in the long run, the provision would do more to weaken the system than to strengthen it.

In regard to the recommendation by certain OFI's that the bill be amended to give them the opportunity to participate in the ownership and operation of the banks on the same basis as the production credit associations, the committee is of the opinion that this would not be consistent with the policy with respect to farm credit institutions as set out in the Farm Credit Act of 1953. The OFI's are, for the most part, organized and operated for profit and are not farmer owned. Those which are farmer owned are State-chartered and not federally supervised. The production credit associations, which contribute nearly 90 percent of the business of the banks, are federally chartered and supervised and are charged with a public responsibility as Federal instrumentalities.

The Federal land banks became farmer owned several years before enactment of the 1953 act. Farmer ownership of the remaining district institutions was declared to be a major objective of that act. The Farm Credit Act of 1955 provided the necessary legislation to facilitate farmer ownership of the banks for cooperatives and the bill reported herewith would enable the remaining institutions to accomplish that objective.

The committee is satisfied that the proposed bill adequately protects the interest of the OFI's. The declared policy and various specific provisions of the bill make it abundantly clear that the facilities of the credit banks shall continue to be available to the OFI's on the same basis as the production credit associations regardless of the ownership of the banks.

The committee gave particular study to two provisions of the bill relating to personnel of the merged institutions (sec. 101 (c)) and to the retirement of class B stock of the production credit associations after all Government-owned stock is retired (sec. 102).

The committee was assured by officials of the Farm Credit Administration that reductions in personnel of the production credit corporations and the Federal intermediate credit banks would be brought about largely by not filling existing vacancies and by normal retirements and resignations. Under the provisions of the bill, only a few of those now employed by the corporations and the banks would not be retained by the merged institutions. It should be remembered also

UNIVERSITY OF MICHIGAN LIBRARIES

that under the provisions of the bill decisions on personnel matters would rest with the local board of directors in each district which could be expected to deal with personnel in an understanding and sympathetic manner.

Some fear was expressed at the hearings that the bill might permit the banks, after all Government-held stock has been retired, to retire all class B stock and thereby convert the banks into nonstock public trust institutions. It is the opinion of the committee, however, that under the provisions of the bill such action could not be taken consistent with the declared policy of the legislation to facilitate farmer ownership of the credit banks. It is the intent of the legislation to convert these banks into farmer-owned institutions and it would be necessary at all times to have class B stock outstanding in order to accomplish that objective. The committee, therefore, felt that no amendment was needed in this respect and that the provisions of the bill as reported preclude any action on the part of the banks or the Farm Credit Administration to retire completely all class B stock.

Analysis of the Bill (With Senate Committee Amendments)

Short title

Section 1 provides that the short title of the bill shall be the "Farm Credit Act of 1956."

Declaration of policy (sec. 2)

Section 2 contains a statement of policy with respect to the proposed bill with major emphasis upon the continued growth and development of the production credit associations. The express policy would be to give maximum authority to the production credit associations to determine the credit needs and loan policies best adapted to the areas which they serve, consistent with the maintenance of a well coordinated national production credit system. The policy would also include assurance to other financing institutions of the continued right to borrow from and to rediscount agricultural paper with the credit banks on a basis comparable with production credit associations.

TITLE I—PRODUCTION CREDIT SYSTEM

Merger of production credit corporations in Federal intermediate credit banks (sec. 101)

Section 101 would provide for the merger of the production credit corporation of each district in the Federal intermediate credit bank of the district. Except for stock in the production credit associations, all assets of the corporation would be transferred to the bank. The bank would also assume all obligations and liabilities of the corporation. Stock held by the corporation in production credit associations would be transferred to the Governor and he would cancel an equal par amount of stock which he now holds in the corporation.

Except for a few functions vested in the Farm Credit Administration, the functions of the production credit corporations in supervising the production credit associations would be transferred to the Federal intermediate credit banks. In order to carry out the declared policy with respect to the production credit associations, the Farm Credit Administration would be required to provide, by provisions in the charter and bylaws of the banks, or by rules and regulations, or both,

such an organizational setup in the banks as would assure proper supervision of and assistance to the production credit associations to enable them to carry out their function in extending credit to farmers and ranchers. This would be done in a way which would preserve the autonomy of the local associations consistent with the operation of an effective national production credit system. The income derived from surplus transferred from the corporations to the credit banks would be devoted to the payment of the additional expense of such supervision and assistance. This provision would not require a segregation of either such income or expense, hence no additional accounting cost would be involved.

Section 101 would also provide for the termination of the employment of present officers and employees of the production credit corporations and Federal intermediate credit banks but would require the board of directors of each bank, subject to the approval of the Farm Credit Administration, to select the officers and employees of the bank from the old officers and employees of both institutions, to the extent that they are qualified and needed. However, the board would not be bound to reemploy an officer or employee in the same capacity in which he was employed just prior to the effective date of the bill. The bill would require the board, not later than 60 days before the effective date of the bill, to take the necessary action to reemploy such officers and employees as of such effective date. Thus there would be no break in continuity of service of such officers and employees.

Stock of the Federal intermediate credit banks (sec. 102)

Section 102 of the bill would amend section 205 of the Federal Farm Loan Act to provide two classes of stock for the Federal intermediate credit banks: Class A, which would have a par value of $100, and class B, which would have a par value of $5.

Under present law, there is but one class of stock for the Federal intermediate credit banks and production credit corporations, all of which is owned by the United States.

Class A stock.—Existing stock of each credit bank held by the Secretary of the Treasury on the effective date of the bill, amounting to $60 million for all 12 banks, would be transferred to the Governor of the Farm Credit Administration. The Governor would then be authorized to reallocate the stock of the banks, by appropriate transfers of capital funds between banks, as he determined necessary to meet the needs of each bank. Following such adjustment, the then existing stock of each bank would be exchanged for an equal par amount of class A stock of the bank. Stock of the production credit corporation of the district held by the Governor on the effective date of the bill, less the amount canceled pursuant to section 101 (a) of the bill, would be exchanged for an equal par amount of class A stock of the bank. All class A stock to be issued by the credit banks would be held by the Governor on behalf of the United States. No dividends would be paid on class A stock. At the end of each fiscal year, each bank would be required to determine the amount of class A stock to be retired. Whenever the net worth of the bank amounts to more than one-sixth of its peak outstanding debentures and other such obligations, during the immediately preceding 5 years, the minimum amount of such stock which the bank would be required to retire would be the total amount of class B stock and participation certificates issued for

UNIVERSITY OF MICHIGAN LIBRARIES

that year. Whenever the net worth of the bank amounts to one-sixth or less of such outstanding debts, the amount of class A stock to be retired would be determined by the bank. As hereinafter explained, the net earnings of the bank, after reserves and franchise taxes are provided for, would be distributed in class B stock to production credit associations and in participation certificates to other financing institutions patronizing the bank.

The proceeds from class A stock retirements of each bank would be paid into the Treasury as miscellaneous receipts until there is so paid a sum equal to $30 million plus the amount of class A stock of the bank issued in exchange for the stock of the production credit corporation of the district. The proceeds of any further retirements of class A stock of the bank would go into the revolving fund created by section 5 (e) of the Farm Credit Act of 1933, as amended. The Governor would be authorized to use such revolving fund to purchase class A stock of the banks and would have discretion to determine when such stock should be retired, the proceeds from which would go back into the revolving fund.

Class B stock.—Class B stock would be issued only to production credit associations. This stock would be acquired in two ways: first, by an initial subscription by each association and, second, through distribution of earnings on a patronage basis in class B stock. The initial subscriptions of all production credit associations would equal 15 percent of the total amount of class A stock of all 12 banks. This amount would be apportioned among the associations on the basis of their use of the banks over a representative period. Consequently, the bill provides for such apportionment in two steps: first, the total amount of such subscriptions would be allotted by districts on the basis of the ratio of (1) the average amount of loan and discount indebtedness of the production credit associations of the district during the immediately preceding 5 years to (2) the average amount of such indebtedness of all associations to all banks during such 5-year period; and, second, the portion so allotted to the district would then be further allotted to individual associations on the basis of the ratio of (1) the average loan and discount indebtedness of each association during the immediately preceding 5 years to (2) the average of such indebtedness of all associations to the bank during such 5-year period. A bank might also sell additional class B stock with the approval of the Farm Credit Administration. The purchase price of the initial stock subscription required of each production credit association would be paid over a period of 2 years following the effective date of the bill. Noncumulative dividends of not to exceed 5 percent in any year could be paid without preference on class B stock and participation certificates after all class A stock has been retired. Any association chartered after the effective date of the bill would be required to make an initial investment of $5,000 in class B stock, but that amount would be adjusted at the end of 5 years to an amount determined by applying to its average indebtedness to the bank the same percentage as the percentage which the initial subscriptions of all other production credit associations was of their indebtedness. After all class A stock is retired, the bank may retire class B stock at par and participation certificates at face amount in accordance with the cooperative principle of retiring first the oldest outstanding stock and certificates. It is intended, however, that a bank would at all times have some class B

90003°—57 S. Rept., 84-2, vol. 3——90

stock outstanding. Only in this way would it continue to be farmer owned consistent with the declared policy of the legislation. In the event of liquidation or dissolution of a production credit association or other financing institution, the bank could at any time also retire at fair book value, not exceeding par or face amount, class B stock and participation certificates of the bank owned by such association or institution.

Lien on stock and participation certificates.—The bank would have a first lien on all stock in the bank owned by production credit associations and on all participation certificates owned by other financing institutions as additional collateral for any indebtedness of the holders to the bank. The bank would be prohibited, however, from making any loan or advance on the security of its own stock or participation certificates. If the debt of a production credit association or other financing institution is in default, the bank could retire and cancel the debtor's stock or participation certificates in the bank at the fair book value, not exceeding par or face amount, in total or partial liquidation of the debt.

Application of earnings; distribution of assets upon liquidation (sec. 103)

Section 103 of the bill would amend section 206 of the Federal Farm Loan Act to provide a new method of application of net earnings of the banks. The net earnings of a bank would be the amount of income remaining after all operating expenses are paid or provided for, including the establishment of reasonable valuation reserves and the making good of any losses in excess of any such applicable valuation reserves. The net earnings would be applied as follows:

1. *Restoring impairment of capital stock and participation certificates.*—If the board of directors determines that the capital stock and the participation certificates of the bank are impaired, the net earnings would be applied first toward the restoration of the amount of such impairment.

2. *Restoring impairment of surplus account.*—If the board of directors determines that the surplus account of the bank is impaired, the remaining net earnings would be used to restore the amount of such impairment.

3. *Creation and maintenance of reserve account.*—After restoration of any impairment of capital stock, participation certificates, and surplus account, 25 percent of any remaining net earnings would be used to create and maintain a reserve account equal to 25 percent of the outstanding capital stock and participation certificates of the bank. However, if at the end of any fiscal year the sum of the surplus and the reserve account is less than the bank's outstanding capital stock and participation certificates, the bank would continue to apply such 25 percent of earnings to the reserve account until the sum of the surplus and the reserve account is equal to its outstanding capital stock and participation certificates. Amounts carried to the reserve account would not be allocated but would be retained as a protection against losses, thereby adding strength to the capital structure of the bank.

4. *Franchise tax.*—If during all or any part of its fiscal year the Governor held stock in a bank, the bank, after making the required transfer to the reserve account, would pay a franchise tax to the United States equal to 25 percent of its net earnings then remaining, but not exceeding a rate of return on the Government's investment

UNIVERSITY OF MICHIGAN LIBRARIES

in the bank calculated at a rate equal to the computed average annual rate of interest on all public issues of public debt obligations of the United States issued during the fiscal year of the Treasury ending next before such tax is due. The tax would be due on the last day of the bank's fiscal year and the applicable rate of interest would be the rate for the last preceding full fiscal year of the Treasury.

5. *Dividends on class B stock and participation certificates.*—When the bank has no class A stock outstanding, net earnings remaining would be available for the payment of dividends on class B stock and participation certificates.

6. *Patronage refunds.*—The balance of any net earnings remaining after application as explained above would be distributed as patronage refunds. When the bank has class A stock outstanding, patronage refunds would be paid in class B stock to production credit associations and in participation certificates to other financing institutions patronizing the bank. After all class A stock is retired, the bank could pay patronage refunds in such class B stock and participation certificates or in cash as determined by the bank. The recipients of patronage refunds in the form of class B stock and participation certificates, made when the bank at the end of its fiscal year has class A stock outstanding, would not be subject to Federal income taxes on such refunds. Such tax exemption would not apply when the bank has no class A stock outstanding. All such refunds would be paid in the proportion that the amount of interest earned by the bank on the loans to and discounts for each patron bears to the total interest earned by the bank on all loans and discounts outstanding during the fiscal year. Participation certificates would be issued in multiples of $5 and would state on their face the rights, privileges, and conditions applicable thereto. Patronage refunds would not be paid to any other Federal intermediate credit bank, or any bank for cooperatives or Federal land bank.

7. *Disposition of losses.*—A net loss in any fiscal year would be absorbed by: first, charges to the reserve account; second, charges to surplus other than that transferred from the production credit corporation; third, charges to surplus transferred from the production credit corporation; fourth, the impairment of class B stock and parcipation certificates; and fifth, the impairment of class A stock.

On the effective date of the bill, each bank would also be required to establish a surplus account consisting of its earned surplus, its reserve for contingencies, and the surplus of the production credit corporation transferred to the bank. This surplus would not be allocated and it could not be distributed as patronage refunds. Instead, it would remain as a part of the permanent capital structure of the bank. It would, however, be available to absorb losses, as indicated above.

Section 103 also provides for the distribution of assets upon liquidation or dissolution of a bank. In that event, all liabilities would first be paid or payment thereof provided for. Next, all class A stock would be retired at par, and then all class B stock and participation certificates would be retired at par or face amount, as the case may be. Any remaining assets would be distributed as follows: First, any surplus established on the effective date of the legislation, as provided in section 103 (except that transferred from the production credit corporation of the district), which the Farm Credit Administration determines was contributed by financing institutions, other than production credit associations, doing business with the bank on the

effective date of the legislation would be paid to such institutions, or their successors, and the balance of such surplus (including that transferred from the production credit corporation of the district) would be paid to the holders of class A stock and class B stock pro rata; and second, any residual assets would be distributed to the holders of class B stock and the holders of participation certificates pro rata.

Discounts and loans (sec. 104)

Under present law, the banks may make loans to production credit associations upon security approved by the Governor, such as Government bonds, but loans to other financing institutions may be made only on the security of paper eligible for discount by the bank. Section 104 (b) of the bill would amend section 202 (a) of the Federal Farm Loan Act to authorize the credit banks to make loans and advances to both production credit associations and other financing institutions on the security of collateral approved by the Governor. However, under the language of the bill, any loan to such other financing institution could be made only to enable such institution to make or carry loans for any agricultural purpose. The amendment also restates the rediscounting and lending authority of the credit banks, and the banks would continue, as heretofore, to serve both production credit associations and other financing institutions in the continental United States and in Alaska, Puerto Rico, and Hawaii.

Section 104 (b) of the bill also would repeal the authority of the credit banks to make direct loans to farmers' cooperative associations, except to enable such associations to make loans to farmers and ranchers for agricultural purposes. This change would eliminate duplication of lending functions of the credit banks and the banks for cooperatives. This section would also permit one credit bank to make loans (by discount or otherwise) to another such bank or to any land bank or bank for cooperatives, upon terms and at interest rates approved by the Farm Credit Administration.

Section 104 (c) of the bill would permit the credit banks to make loans, advances and discounts with maturities at the time they are made or discounted of not more than 5 years. The limit under present law is 3 years.

Discount rates.—Section 104 (d) of the bill would repeal the present provision of law which relates discount and interest rates to the interest rate borne by the last preceding issue of credit bank debentures. Instead each bank would be authorized to determine the discount and interest rates to be charged on its discounts and loans, subject to the approval of the Farm Credit Administration. Rates charged financing institutions of the kind described in section 202 (a) (2) of the Federal Farm Loan Act, as amended by section 104 (b) of the bill, would be the same as those charged the production credit associations.

Section 104 (e) of the bill would authorize the Federal land banks to make loans to Federal intermediate credit banks or to banks for cooperatives upon terms approved by the Farm Credit Administration. Section 104 (f) of the bill would specifically extend to "other similar obligations" the authority of the Federal intermediate credit banks to issue consolidated debentures. This would clarify the authority of the banks to issue consolidated short-term notes or bills.

Amendments to the Farm Credit Act of 1933 (sec. 105)

The production credit corporations were organized and chartered under the Farm Credit Act of 1933. Section 105 of the bill contains a number of amendments to the 1933 act which would repeal provisions of that act as they apply to the corporations.

UNIVERSITY OF MICHIGAN LIBRARIES

Section 105 (a) of the bill would repeal the authority of the Governor to organize and charter production credit corporations; section 105 (b) would repeal the provision relating to charters and bylaws insofar as it applies to production credit corporations; and section 105 (c) would repeal the section relating to the capital stock of the production credit corporations.

Section 105 (d) would amend section 5 of the 1933 act to reduce to $60 million the revolving fund which under the bill would be available for the purchase by the Governor of stock in production credit associations. This revolving fund was originally $120 million but $30 million thereof was returned in 1949 to miscellaneous receipts of the Treasury. This section would also increase from $40 million to $70 million the revolving fund out of which the Governor is authorized, with the approval of the Secretary of the Treasury, to purchase capital stock of the credit banks.

Section 105 (e) would amend section 6 of the 1933 act to authorize the Governor of the Farm Credit Administration to purchase class A stock in production credit associations. This authority is now vested in the production credit corporations. This transfer of authority from the corporations to the Governor would not change the status of production credit associations insofar as concerns laws relating generally to corporations partially owned or controlled by the Government. Payments for such stock purchased by the Governor would be made out of the $60 million revolving fund authorized by section 5 (a) of the 1933 act as amended by section 105 (d) of the bill, and the proceeds of retirements of any such class A stock would be paid into such revolving fund.

Section 105 (f) of the bill would repeal the requirement that a production credit association furnish the production credit corporation of the district with a copy of its articles of incorporation; section 105 (g) would substitute the Governor for the production credit corporation as the proper holder of stock of a production credit association and repeal the authority of the president of the production credit corporation as to approval and removal of association officers and directors, matters which could properly be provided for in bylaws approved by the Governor; section 105 (h) would substitute the credit bank for the production credit corporation as the institution to approve the minimum surplus account of the production credit association and the payment of dividends by a production credit association; section 105 (i) would provide that rules and regulations governing the terms and conditions of loans by production credit associations shall be prescribed by the district farm credit board with the approval of the Farm Credit Administration, authorize production credit associations to make loans to farmers for general agricultural purposes and their other requirements, and vest authority in the credit bank to approve certain "excess" production credit association loans (an authority now vested in the production credit corporation); sections 105 (j) and 105 (k) would authorize any bank for cooperatives to make loans to a land bank or intermediate credit bank upon terms approved by the Farm Credit Administration; section 105 (l) would remove the production credit corporations from the provisions setting forth the general powers of certain farm credit institutions; section 105 (m) would remove the production credit corporations from the provision relating to examinations by examiners designated by the Governor; section 105 (n) would remove the production credit corporations from the provision designating certain farm credit institutions as fiscal agents of the United States; section 105 (o) would remove the production

credit corporations from the provisions exempting farm credit institutions from certain taxes; section 105 (p) would remove the production credit corporations from the provision relating to liquidation of farm credit institutions; and section 105 (q) would repeal the authority of the production credit associations to make loans to farmers for home alterations, repairs, and improvements without the purchase of class B stock in the associations.

Amendments to the Farm Credit Act of 1937 (sec. 106)

Section 106 of the bill contains technical amendments to the 1937 act required by reason of the merger of production credit corporations in the Federal intermediate credit banks. For example, section 106 (a) would substitute the Governor for the production credit corporation in a provision which refers to stock of the production credit associations held by the production credit corporation. Also, by way of example, section 106 (b) would remove the production credit corporations from the provision which authorizes the district institutions to employ joint officers and employees.

Amendments to the Farm Credit Act of 1953 (sec. 107)

Section 107 of the bill contains technical amendments to the 1953 act required by reason of the merger of the corporations in the banks. Section 107 (a) substitutes the credit bank for the production credit corporation as the institution to which the Governor is directed to delegate, under certain circumstances, his responsibilities for supervision of the production credit associations. Section 107 (b) substitutes the Governor for the production credit corporation as the proper person to authorize the issuance of class C stock by a production credit association and directs that payments for such stock purchased by the Governor shall be made out of the revolving fund authorized by section 5 (a) of the 1933 act, as amended.

Other amendments (sec. 108)

Section 108 of the bill would amend the Department of Agriculture Organic Act of 1944 by deleting the production credit corporations from those provisions authorizing assessments of the district institutions for expenses of the Farm Credit Administration.

Section 109 of the bill would amend two sections of the Criminal Code to delete the language "or in which a production credit corporation holds stock." The Farm Credit Act of 1933 authorized the production credit corporation to subscribe and pay for stock in a production credit association not organized under that act if such association was controlled by a farmers' cooperative association. No production credit corporation has ever held stock in any such production credit association. This authority in the 1933 act is repealed by the bill and it is appropriate to delete the reference in the Criminal Code to any such production credit association.

TITLE II—MISCELLANEOUS PROVISIONS

Designation of credit banks as mixed-ownership Government corporations (Sec. 201)

Section 201 (a) of the bill would remove the production credit corporations from the provisions of the Government Corporation Control Act. This section would also redefine the Federal intermediate credit banks as "mixed-ownership" Government corporations

instead of wholly owned Government corporations. Titles II and III relating primarily to audit by the General Accounting Office would continue to apply to the banks. Section 201 (b) of the bill would authorize the banks, after the effective date of the bill, to use their funds for administrative expenses without regard to the provisions of any other act of Congress governing the expenditure of appropriated funds. Section 201 (c) would amend the National Bank Act to remove the present limitation on national banks investing in debentures issued by the banks for cooperatives. A national bank is now prohibited from investing in such securities an amount exceeding 10 percent of its capital stock actually paid in and unimpaired and 10 percent of its unimpaired surplus. This limitation is not applicable to bonds issued by the Federal land banks or to debentures issued by the intermediate credit banks, and the proposed amendment would place all such farm credit securities on the same basis insofar as their purchase by the national banks is concerned.

Section 202 would provide an effective date of January 1 next following the enactment of the bill. This section would also define, for the purpose stated, the 6 months preceding such effective date as a separate "fiscal year."

Section 203 of the bill contains the usual separability provision and reserves the right to alter, amend, or repeal the enacted bill.

Changes in Existing Law

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

Act of July 17, 1916

AN ACT To provide capital for agricultural development, to create standard forms of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the short title of this Act shall be "The Federal Farm Loan Act."

* * * * * * *

Sec. 13.

* * * * * * *

Seventeenth. To make loans to other Federal land banks, *to Federal intermediate credit banks, or to banks for cooperatives organized under the Farm Credit Act of 1933, as amended*, upon such terms and conditions as may be approved by the Farm Credit Administration.

* * * * * * *

Sec. 201.

* * * * * * *

(b) One such institution shall be established in each farm credit district in the same city as the Federal land bank of the district. The

members of the several farm credit boards of the farm credit districts provided for in the Farm Credit Act of 1937 shall be ex officio the directors of the several Federal intermediate credit banks herein provided for and shall have power, subject to the approval of the Farm Credit Administration, to employ and fix the compensation of such officers and employees of such Federal intermediate credit banks as may be necessary to carry on the business authorized by this title. *The directors shall have power, subject to the approval of the Farm Credit Administration, to adopt such bylaws as may be necessary for the conduct of the business of the banks.*

* * * * * * *

[SEC. 202. (a) That Federal Intermediate Credit Banks, when chartered and established, shall have power, subject solely to such restrictions, limitations, and conditions as may be imposed by the Farm Credit Administration not inconsistent with the provisions of this Act—

[(1) To discount for, or purchase from, any national bank, and/or any State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, cooperative bank, credit union, cooperative association of agricultural producers, organized under the laws of any State or of the Government of the United States, and/or any other Federal Intermediate Credit Bank, with its indorsement, any note, draft, bill of exchange, debenture, or other such obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose or for the raising, breeding, fattening, or marketing of livestock; and to make loans or advances direct to any such organization, secured by such obligations; and to discount for, or purchase from, any production credit association or bank for cooperatives organized under the Farm Credit Act of 1933, or any production credit association in which a Production Credit Corporation organized under such Act holds stock, with its indorsement, any note, draft, bill of exchange, debenture, or other such obligation presented by such association or bank, and to make loans and advances direct to any such association or bank secured by such collateral as may be approved by the Governor of the Farm Credit Administration;

[(2) To buy or sell, with or without recourse, debentures issued by any other Federal intermediate credit bank; and

[(3) To make loans or advances direct to any cooperative association organized under the laws of any State and composed of persons engaged in producing, or producing and marketing, staple agricultural products, or livestock, if the notes or other such obligations representing such loans are secured by warehouse receipts, and/or shipping documents covering such products, and/or mortgages on livestock, and/or such other collateral as may be approved by the Governor of the Farm Credit Administration: *Provided*, That no such loan or advance, when secured only by warehouse receipts and/or shipping documents, and/or mortgages on livestock, shall exceed 75 per centum of the market value of the products covered by said warehouse receipts and/or shipping documents, or of the livestock covered by said mortgages; and to accept drafts or bills of exchange issued or drawn by any such association when secured by warehouse receipts

UNIVERSITY OF MICHIGAN LIBRARIES

and/or shipping documents covering staple agricultural products as herein provided, at such rates of commission as may be approved by the Governor of the Farm Credit Administration.]

SEC. 202. (a) The Federal intermediate credit banks, when chartered and established, shall have power, subject solely to the restrictions, limitations, and conditions contained in this Act or as may be prescribed by the Farm Credit Administration not inconsistent with the provisions of this Act—

(1) to discount for, or purchase from, any production credit association organized under the Farm Credit Act of 1933, as amended, with its endorsement, any note, draft, or other such obligation presented by such association; and to make loans and advances to any such association secured by such collateral as may be approved by the Governor of the Farm Credit Administration;

(2) to discount for, or purchase from, any national bank, State bank, trust company, agricultural credit corporation, incorporated livestock loan company, savings institution, credit union, and any association of agricultural producers engaged in the making of loans to farmers and ranchers, with its endorsement, any note, draft, or other such obligation the proceeds of which have been advanced or used in the first instance for any agricultural purpose, including the breeding, raising, fattening, or marketing of livestock; and to make loans and advances to any such financing institution secured by such collateral as may be approved by the Governor of the Farm Credit Administration: Provided, That no such loan or advance shall be made upon the security of collateral other than notes or other such obligations of farmers and ranchers eligible for discount or purchase under the provisions of this section, unless such loan or advance is made to enable the financing institution to make or carry loans for any agricultural purpose; and

(3) to make loans to and discount paper for any other Federal intermediate credit bank, any Federal land bank, or any bank for cooperatives organized under the Farm Credit Act of 1933, as amended, all upon terms and at rates of interest or discount approved by the Farm Credit Administration.

* * * * * * *

(c) Loans, advances, or discounts made under this section shall have a maturity at the time they are made or discounted by the Federal intermediate credit bank of not more than [three] *five* years. Any Federal intermediate credit bank may in its discretion sell loans or discounts made under this section, with or without its endorsement.

SEC. 203. (a) Federal intermediate credit banks shall have power, subject to the approval of the Farm Credit Administration, to borrow money and to issue and to sell collateral trust debentures or other similar obligations with a maturity at the time of issue of not more than five years, which shall be secured by at least a like face amount of cash, United States Government bonds, Federal Farm Mortgage Corporation bonds, or notes or other such obligations discounted or purchased or representing loans made under section 202: *Provided*, That the aggregate amount of the outstanding debentures and similar obligations issued individually by any Federal intermediate credit bank, together with the amount of outstanding consolidated deben-

tures *or other similar obligations* issued for its benefit and account, shall not exceed ten times the surplus and paid-in capital of such bank.

* * * * * * *

(d) Whenever it shall appear desirable to issue consolidated debentures *or other similar obligations* of the twelve Federal intermediate credit banks and to sell them through a common selling agency, and the Federal intermediate credit banks shall, by resolutions, consent to the same, the banks may issue and sell said debentures *or other similar obligations* subject to the provisions of this section and the provisions of section 21 of Title I of this Act, insofar as applicable. As used in this Act, the term "debentures" includes such consolidated debentures.

(e) All debentures *or other similar obligations* issued by Federal intermediate credit banks shall be lawful investments, and may be accepted as security for all fiduciary, trust, and public funds, the investment or deposit of which shall be under the authority or control of the United States or of any officer or officers thereof.

[SEC. 204. (a) Any Federal intermediate credit bank may, with the approval of the Farm Credit Administration, from time to time establish rates of discount and interest which, except with the approval of the Governor of the Farm Credit Administration, shall not exceed by more than 1 per centum per annum the rate borne by the last preceding issue of debentures which it issued or in which it participated. Any Federal intermediate credit bank may be required by the Governor of the Farm Credit Administration to acquire, upon such terms as he may approve, loans and/or discounts of any other Federal intermediate credit bank.]

SEC. 204. (a) Loans and discounts by any Federal intermediate credit bank shall bear such rates of interest or discount as the board of directors of the bank shall from time to time determine with the approval of the Farm Credit Administration, but the rates charged financing institutions other than production credit associations shall be the same as those charged production credit associations.

* * * * * * *

[SEC. 205. That for the purpose of exercising the powers conferred by this title, each Federal Intermediate Credit Bank shall have a subscribed capital stock of $5,000,000, which amount may be increased from time to time with the approval of the Governor of the Farm Credit Administration. Capital stock of such amount shall be divided into shares of $5 each and shall be subscribed, held, and paid by the Government of the United States. It shall be the duty of the Secretary of the Treasury to subscribe to such capital stock on behalf of the United States, such subscription to be subject to call in whole or in part by directors of the said banks upon 30 days' notice to the Secretary of the Treasury and with the approval of the Farm Credit Administration. The Secretary of the Treasury is authorized and directed to take out shares as called and to pay for the same out of any money in the Treasury not otherwise appropriated. In the event that there shall be an impairment of the paid-in capital of any Federal intermediate credit bank, the Farm Credit Administration, at such time or times as it deems advisable, may determine and assess the amount thereof against the other Federal intermediate credit banks on such equitable basis of apportionment as it shall prescribe. Each bank against which such an assessment is made shall, out of its surplus and/or to an extent up to 50 per centum of

UNIVERSITY OF MICHIGAN LIBRARIES

its net earnings, in accordance with the terms of such assessment, pay the amount thereof as soon as possible to the bank having the impairment. In such event payments into the surplus fund and payments of the franchise tax prescribed by this chapter shall be determined on the basis of the net earnings remaining after providing for the payment of any such assessment. With the approval of the Secretary of the Treasury, the Governor of the Farm Credit Administration is hereby authorized to subscribe from time to time to the capital stock and/or paid-in surplus of any Federal Intermediate Credit Bank on behalf of the United States, in such amounts as he may determine are necessary for the purpose of meeting the credit needs of eligible borrowers from the bank, and the amount of the capital stock and paid-in surplus of such bank may be increased or decreased from time to time by the Governor, in accordance with such needs. Such stock shall be divided into shares of $100 each and subscriptions to such paid-in surplus shall be made in multiples of $100 out of the revolving fund created under subsection (e) of section 5 of the Farm Credit Act of 1933, as amended. The Governor on behalf of the United States shall make payment for stock and paid-in surplus of such bank and such payment shall be subject to call in whole or in part by the board of directors of the bank, with the approval of the Governor.]

CAPITAL STOCK

SEC. 205. (a) CLASSES OF STOCK; OWNERSHIP; DIVIDENDS; AND RETIREMENT OF STOCK.—Each Federal intermediate credit bank is authorized to issue class A and class B stock as follows:

(1) Class A stock shall have a par value of $100 per share and shall be issued to and held by the Governor of the Farm Credit Administration on behalf of the United States. Stock of all Federal intermediate credit banks held by the Secretary of the Treasury shall be transferred to the Governor and may be reallocated by him in such manner as he determines necessary to meet the needs of the respective banks. The Governor shall then exchange such stock of each bank for an equal par amount of class A stock of the bank. Stock of each production credit corporation held by the Governor (less the amount canceled pursuant to section 101 of the Farm Credit Act of 1956) shall be exchanged for an equal par amount of class A stock of the Federal intermediate credit bank in which such corporation is merged pursuant to section 101 of such Act. No dividends shall be paid on class A stock. Annually at the end of its fiscal year each such bank shall determine the amount of its class A stock which shall be retired. Whenever the total of the capital stock, participation certificates, surplus, and reserves of the bank is more than one-sixth of the highest month-end balance of debentures and other obligations issued by or for the bank, outstanding during the immediately preceding five years, the minimum amount of class A stock to be retired shall be the total amount of class B stock and participation certificates issued for that year. All class A stock shall be retired at par. The proceeds of such class A stock retirements of each bank shall be paid into the Treasury as miscellaneous receipts until there is so paid a sum equal to $30,000,000 plus the amount of class A stock of the bank issued in exchange for stock of the production credit corporation. The proceeds of any further such stock retirements shall be paid into the revolving fund established by section 5 (e) of the Farm Credit Act of 1933, as amended. The Governor of the Farm

Credit Administration is authorized to purchase from time to time class A stock in any bank in such amount as he determines is needed to meet the credit needs of the bank and such revolving fund shall continue to be available for such purchases as provided in said section 5 (e). The Governor may at any time require the bank to retire such class A stock if, in his judgment, the bank has resources available therefor, and the proceeds of such retirements shall be returned to such revolving fund.

(2) Class B stock shall have a par value of $5 per share and may be issued only to production credit associations in series and amounts approved by the Farm Credit Administration. Such stock shall be issued only at par and may be transferred to another production credit association with the approval of the issuing bank. Whenever a bank has no class A stock outstanding it may pay like dividends on class B stock and participation certificates in an amount not to exceed 5 per centum in any year if declared by the board of directors. Dividends on class B stock and participation certificates shall not be cumulative. Within sixty days after the effective date of the Farm Credit Act of 1956, the production credit associations shall subscribe to class B stock in the banks in an aggregate amount equal to 15 per centum of the total amount of class A stock in all banks. Such required amount of subscriptions shall be allotted among the several districts in the proportion that the average amount of the bank's loans to and discounts for the production credit associations of the district, outstanding during the immediately preceding five fiscal years, is of the average of such loans and discounts of all banks outstanding during such five-year period. The amount so allotted to each district shall be further allotted to each production credit association on the basis of the proportion that is average indebtedness (loans and discounts) to the bank during the immediately preceding five fiscal years is of the average of such indebtedness of all production credit associations to the bank during such five-year period. Each production credit association shall subscribe to class B stock in the bank of the district in the amount so allotted to it. One-third of the purchase price of such stock subscription shall be paid at the time of such subscription, one-third shall be paid within one year after the effective date of said Act, and the balance shall be paid within two years after such effective date. Such class B stock shall be issued as payments therefor are made. Any production credit association chartered after the effective date of the Farm Credit Act of 1956 shall thereupon purchase class B stock in the bank in the amount of $5,000, and such amount shall be adjusted at the end of five years thereafter to an amount determined by applying to its average indebtedness to the bank during such five-year period the same percentage as the percentage which the initial subscriptions of other production credit associations was of their indebtedness, as provided in this subsection: Provided, That this provision shall not apply to any association owning stock in the bank in such required amount as a result of merger, consolidation, or reorganization of one or more associations. After all class A stock has been retired, the bank may retire class B stock at par and participation certificates at face amount under policies established by the Farm Credit Administration. Class B stock and participation certificates shall be retired without preference and in such manner that the oldest outstanding stock or certificates at any given time will be retired first. In case of liquidation or dissolution of any production credit association or other financing institution, the stock or participation

UNIVERSITY OF MICHIGAN LIBRARIES

certificates of the bank owned by such association or institution may be retired by the bank at the fair book value thereof, not exceeding par or face amount, as the case may be.

(b) LIEN ON STOCK AND PARTICIPATION CERTIFICATES.—Each Federal intermediate credit bank shall have a first lien on all stock in the bank owned by each production credit association and on all participation certificates owned by other financing institutions as additional collateral for any indebtedness of the holders thereof to the bank: Provided, That the bank shall make no loan or advance on the security of its own stock or participation certificates. In any case where the debt of a production credit association or other financing institution is in default, the bank may retire and cancel all or a part of the stock of the bank held by the association or of the participation certificates held by the other financing institution at the fair book value thereof, not exceeding par or face amount, as the case may be, in total or partial liquidation of the debt.

[SEC. 206. (a) That the Farm Credit Administration shall equitably apportion the joint salaries and expenses incurred in behalf of the Federal land banks, joint-stock land banks, and Federal intermediate credit banks, and shall assess against each Federal intermediate credit bank its proportionate share of the salaries and expenses of the Farm Credit Administration made necessary in connection with the operation of this provision.

[(b) Subject only to review and approval by the Farm Credit Administration, each Federal intermediate credit bank, at the end of its fiscal year, after all its necessary expenses and costs of operation for such fiscal year have been paid or provided for, shall apply its net earnings then remaining, first, to making up any losses in excess of its reserves against unforeseen losses and assets of doubtful value; second, to the elimination of any impairment of its paid-in capital and paid-in surplus; third, to the creation and maintenance of reserves against unforeseen losses and assets of doubtful value in such amount as its board of directors may prescribe; fourth, to the payment of 25 per centum of the amount then remaining to the United States as a franchise tax; and, fifth, to the payment of the remaining net earnings into its surplus account. The amounts paid as franchise taxes to the United States by Federal intermediate credit banks shall, in the discretion of the Secretary of the Treasury, be used to supplement the gold reserve held against outstanding United States notes, or shall be applied to the reduction of the outstanding bonded indebtedness of the United States under regulations to be prescribed by the Secretary of the Treasury. Should a Federal intermediate credit bank be dissolved or go into liquidation, after the payment of all debts and other obligations as hereinbefore provided, any surplus remaining shall be paid to and become the property of the United States and shall be similarly applied.]

APPLICATON OF EARNINGS

SEC. 206. (a) ANNUAL APPLICATION.—At the end of its fiscal year, each Federal intermediate credit bank shall determine the amount of its net earnings after paying or providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves) and shall apply such net earnings as follows: (1) To the restoration of the amount of the impairment, if any, of capital stock and participation certificates, as determined by its board of directors; (2) to

the restoration of the amount of the impairment, if any, of the surplus account established by this subsection, as determined by its board of directors; (3) 25 per centum of any remaining earnings shall be used to create and maintain a reserve account equal to 25 per centum of the outstanding capital stock and participation certificates of the bank; (4) if said bank shall have outstanding capital stock held by the United States during the whole or any part of its fiscal year, it shall next pay to the United States as a franchise tax, a sum equal to 25 per centum of its earnings then remaining, not exceeding, however, a rate of return on such Government capital calculated at a rate equal to the computed average annual rate of interest on all public issues of public debt obligations of the United States issued during the fiscal year of the United States Treasury ending next before such tax is due, as certified to the Farm Credit Administration by the Secretary of the Treasury; (5) dividends on class B stock and participation certificates may be declared as provided in section 205 (a) of this Act; and (6) any remaining net earnings shall be distributed as patronage refunds as provided in subsection (b) of this section. Notwithstanding the provisions of item (3) of this subsection, if at the end of any fiscal year the sum of the surplus and the reserve account of any bank is less than its outstanding capital stock and participation certificates, the bank shall continue to apply such 25 per centum of its net earnings to the reserve account until the sum of the surplus and the reserve account is equal to its outstanding capital stock and participation certificates. Each bank shall, on the effective date of the Farm Credit Act of 1956, establish a surplus account consisting of its earned surplus account, its reserve for contingencies, and the surplus of the production credit corporation transferred to the bank. No part of such surplus of any bank shall be distributed as patronage refunds or as dividends. In the event of a net loss in any fiscal year after providing for all operating expenses (including reasonable valuation reserves and losses in excess of any such applicable reserves), such loss shall be absorbed by: first, charges to the reserve account; second, charges to surplus other than that transferred from the production credit corporation of the district; third, charges to surplus transferred from the production credit corporation of the district; fourth, the impairment of class B stock and participation certificates; and fifth, the impairment of class A stock.

(b) PATRONAGE REFUNDS.—Whenever at the end of its fiscal year a Federal intermediate credit bank has class A stock outstanding, patronage refunds declared for that year shall be paid in class B stock to production credit associations and in participation certificates to other financing institutions borrowing from or rediscounting with the bank during the fiscal year for which such refunds are declared. The recipients of such patronage refunds shall not be subject to Federal income taxes thereon. Whenever at the end of its fiscal year a Federal intermediate credit bank has no class A stock outstanding, patronage refunds declared for that year may be paid in such class B stock and participation certificates or in cash as determined by the bank. All patronage refunds shall be paid in the proportion that the amount of interest earned by the bank on its loans to and discounts for each production credit association or other financing institution bears to the total interest earned by the bank on all such loans and discounts outstanding during the fiscal year. Each participation certificate issued in payment of patronage refunds shall be in multiples of $5 and shall state on its face the rights, privileges, and conditions appli-

UNIVERSITY OF MICHIGAN LIBRARIES

cable thereto. Patronage refunds shall not be paid to any other Federal intermediate credit bank, or to any Federal land bank or bank for cooperatives.

(c) DISTRIBUTION OF ASSETS ON LIQUIDATION OR DISSOLUTION.—In the case of liquidation or dissolution of any Federal intermediate credit bank, after payment or retirement, as the case may be, first, of all liabilities; second, of all class A stock at par; third, of all class B stock at par and all participation certificates at face amount; any remaining assets of the bank shall be distributed as provided in this subsection. Any of the surplus established pursuant to subsection (a) of this section (excluding that transferred from the production credit corporation of the district) which the Farm Credit Administration determines was contributed by financing institutions, other than the production credit associations, rediscounting with or borrowing from the bank on the effective date of the Farm Credit Act of 1956 shall be paid to such institutions, or their successors in interest as determined by the Farm Credit Administration, and the remaining portion of such surplus (including that transferred from the production credit corporation of the district) shall be paid to the holders of class A and class B stock pro rata. The contribution of each such financing institution under the preceding sentence shall be computed on the basis of the ratio of its patronage to the total patronage of the bank from the date of its organization to the effective date of the Farm Credit Act of 1956. Any assets of the bank then remaining shall be distributed to the holders of class B stock and the holders of participation certificates pro rata.

* * * * * * *

ACT OF JUNE 16, 1933

AN ACT To provide for organizations within the Farm Credit Administration to make loans for the production and marketing of agricultural products, to amend the Federal Farm Loan Act, to amend the Agricultural Marketing Act, to provide a market for obligations of the United States, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I

SECTION 1. This Act shall be known as the "Farm Credit Act of 1933."

* * * * * * *

[ESTABLISHMENT OF PRODUCTION CREDIT CORPORATIONS AND BANKS FOR COOPERATIVES

[SEC. 2. The Governor of the Farm Credit Administration, hereinafter in this Act referred to as the "governor", is authorized and directed to organize and charter twelve corporations to be known as "Production Credit Corporations" and twelve banks to be known as "Banks for Cooperatives." One such corporation and one such bank shall be established in each farm credit district in the city in which there is located a Federal land bank. The members of the several farm credit boards of the farm credit districts provided for in the

Farm Credit Act of 1937 shall be ex officio the directors of the respective production credit corporations and banks for cooperatives. Such directors shall have power, subject to the approval of the governor, to employ and fix the compensation of such officers and employees of such corporations and banks as may be necessary to carry out the powers and duties conferred upon such corporations and banks under this Act.]

SEC. 2. The Governor of the Farm Credit Administration, hereinafter in this Act referred to as the "Governor", is authorized and directed to organize and charter twelve banks to be known as "banks for cooperatives". One such bank shall be established in each city in which there is located a Federal land bank. The members of the several farm credit boards of the farm credit districts provided for in section 5 of the Farm Credit Act of 1937, as amended, shall be ex officio the directors of the respective banks for cooperatives. Such directors shall have power, subject to the approval of the Governor, to employ and fix the compensation of such officers and employees of such banks as may be necessary to carry out the powers and duties conferred upon such banks under this Act.

SEC. 3. The charters of [the Production Credit Corporations and] the Banks for Cooperatives shall be granted by the governor upon application of the directors of the Federal land bank of the proper district, and applications and charters shall be in such form as the governor shall prescribe. The directors shall have power, subject to the approval of the governor, to adopt such bylaws as may be necessary for the conduct of the business of the [corporations and]banks.

[CAPITAL OF PRODUCTION CREDIT CORPORATIONS

[SEC. 4. The capital stock of each Production Credit Corporation shall be in such amount as the governor determines is required for the purpose of meeting the credit needs of the district to be served by such corporation, and such amount may be increased or decreased from time to time by the governor in accordance with such credit needs. Such capital stock shall be divided into shares of $100 each. The initial capital stock of each such corporation shall be $7,500,000, which shall be subscribed for by the governor and held by him on behalf of the United States. Payments on subscriptions to stock by the governor shall be subject to call in whole or in part by the board of directors of the corporation with the approval of the governor. The governor shall make such payments out of the revolving fund created in section 5. The stock ownership of the United States in such corporation shall be evidenced by such means as the governor shall determine.]

SEC. 5. (a) There is hereby created a revolving fund of not to exceed [$120,000,000] *$60,000,000* which shall be made up as follows:

* * * * * * *

(b) There is hereby authorized to be appropriated the sum of $2,000,000, which shall remain available until expended, for all necessary administrative expenses in connection with the establishment and supervision of [the Production Credit Corporations and] the Production Credit Associations.

* * * * * * *

(e) The amount of all balances, collections, and appropriations allocated under subsection (a) to the revolving fund created there-

under, which is in excess of $120,000,000, is hereby made available to the Governor of the Farm Credit Administration for the establishment of a revolving fund of not to exceed [$40,000,000] *$70,000,000.* Out of such revolving fund, the Governor is authorized to allocate and, with the approval of the Secretary of the Treasury, to expend such amounts as he deems necessary for subscriptions to the capital stock [and/or paid-in surplus] of Federal Intermediate Credit Banks.

[STOCK OWNERSHIP OF PRODUCTION CREDIT CORPORATIONS IN PRODUCTION CREDIT ASSOCIATIONS

[SEC. 6. (a) Each Production Credit Corporation shall have power to invest its funds in stock of production credit associations as provided in this section. Such corporation is authorized to subscribe and pay for class A stock in each Production Credit Association located in the district served by such corporation in amounts sufficient to maintain the amount of class A stock held by it and other holders of class A stock equal, as nearly as may be, to 20 per centum of the volume of loans made or to be made by such association, as estimated by the corporation, but at no time shall the amount of class A stock outstanding be less than $5,000 except with the consent of the association. Notwithstanding the provisions of the preceding sentence, (1) the governor, under rules and regulations prescribed by him, may permit a Production Credit Corporation to maintain the class A holdings of stock by the corporation and other investors at such amount, in excess of 20 per centum of such loans, as may be necessary, and (2) the corporation may at any time require the association to retire and cancel stock held by the corporation in such association, if, in the judgment of the corporation, the association has resources available therefor.

[(b) Under such rules and regulations as may be prescribed by the governor and subject to such restrictions and limitations as he may prescribe, each Production Credit Corporation is authorized to subscribe and pay for stock in production credit associations not organized under this Act if such associations are controlled by cooperative associations as defined in section 55. Only stock which is preferred as to assets on liquidation and is entitled to participate in dividend distributions without discrimination may be subscribed for. The amount of the stock subscribed for by any Production Credit Corporation in any such associaton shall not at any one time exceed 75 per centum of the total paid-in capital of such association.

[(c) The amount of the excess of earnings on stock held by the corporation above amounts necessary to pay operating espenses and restore losses and impairment of capital, if any, of the corporation shall be devoted to the creation and maintenance of a surplus equal to at least 25 per centum of the paid-in capital of the corporation. The amount of the surplus shall be invested as the governor shall prescribe in direct obligations of the United States or in class A stock of Production Credit Associations, or both.

[(d) The amount of such excess of earnings not required in order to comply with the provisions of subsection (c) shall be paid into the revolving fund heretofore authorized. Stock held by the governor in the Production Credit Corporation shall be retired upon such payment in an amount equal to the amount of such payment.

90003°—57 S. Rept., 84-2, vol. 3——91

[(e) Each production credit corporation shall, at the end of each fiscal year (1) apply its earnings described in subsection (c) of this section in accordance with the provisions of subsections (c) and (d) of this section; and (2) apply its earnings from all other sources, first, to the payment of any operating expenses for the year remaining unpaid; second, to restore losses and impairment of capital, if any, of the corporation; third, to the creation and maintenance of a surplus equal to 25 per centum of the paid-in capital of the corporation; fourth, to the payment of 25 per centum of its earnings from all sources then remaining to the United States as a franchise tax, and fifth, to the payment of the remaining earnings into its surplus account.]

INVESTMENT BY GOVERNOR IN STOCK OF PRODUCTION CREDIT ASSOCIATIONS

SEC. 6. The Governor may purchase class A stock of any production credit association in such amounts as he determines are required to meet the credit needs of farmers in the area served by such association. Payments for such stock purchased by the Governor shall be made out of the revolving fund authorized by section 5 (a) of this Act. The Governor may at any time require any production credit association to retire and cancel any class A stock held by him in such association if, in his judgment, the association has resources available therefor, and the proceeds of such stock retirements shall be paid such revolving fund.

* * * * * * *

SEC. 20. The governor is authorized and directed to organize and charter corporations to be known as "Production Credit Associations." Such associations may be organized by ten or more farmers desiring to borrow money under the provisions of this title. Such individuals shall enter into articles of incorporation which shall specify in general terms the objects for which the association is formed and the powers to be exercised by it in carrying out the functions conferred upon it by this Act. [Such articles shall be signed by the individuals uniting to form the association and a copy thereof shall be forwarded to the Production Credit Corporation of the district, and such copy shall be filed and preserved in its office.] *Such articles shall be signed by the individuals uniting to form the association and a copy thereof shall be furnished to the Governor.* The governor may, for good cause shown, deny a charter to such individuals. Upon the approval of such articles by the governor, the association shall become as of the date of such approval a body corporate. The governor shall have power, under rules and regulations prescribed by him, or by prescribing the terms of the charter of the association, or both, to provide for the organization, management, and conduct of the business of the association; and the power of the governor shall extend to prescribing the amount of the stock of such association; fixing the territory within which its operations may be carried on; fixing the method of election and appointment of, and the amount and payment of the compensation of, directors, officers, and employees; fixing the maximum amount of individual loans which may be made; prescribing the conditions under which the stock may be retired; and providing for the consolidation of two or more such associations. The governor may, at any time, direct such changes in the charter of any such association as he finds necessary in accomplishing the purposes of this title. Bylaws of any

such association may be adopted by the directors but shall not be valid unless approved by the governor.

SEC. 21. The stock of such associations shall be divided into shares of $5 each; and there shall be two classes of such stock: (1) Class A stock which is to be held by [Production Credit Corporations] *the Governor,* and which may be purchased and held by investors, and (2) class B stock which may be purchased only by farmer borrowers from the association and individuals eligible to become borrowers. Class B stock only shall be entitled to voting rights but each holder of such stock shall be entitled to no more than one vote. No class B stock, or any interest therein or right to receive dividends thereon, shall be transferred by act of parties or operation of law except to another farmer borrower or an individual eligible to become a borrower and then only with the approval of the directors of the association. Each holder of class B stock, within two years after he has ceased to be a borrower, shall exchange such class B stock at the fair book value (not to exceed par) thereof, as determined by the association, for class A stock. Dividends may be paid on class A and class B stock without preference or on class A stock alone, as the board of directors of the association may determine, but the directors of the association may, in their discretion, apply the amount of any dividend payable to a holder of class B stock to any indebtedness of such holder to the association. Class A stock shall be preferred as to assets of the association upon liquidation. [During such time as any Production Credit Corporation is a holder of any stock of any such association, the appointment or election of directors, the secretary-treasurer, and the loan committee of such association shall be subject to the approval of the president of the Production Credit Corporation and during such time any such director, secretary-treasurer, or other officer may, at any time, be removed by the president of the Production Credit Corporation.]

SEC. 22. (a) Each production credit association shall, at the end of each fiscal year, apply the amount of its earnings in excess of operating expenses (including provision for reasonable valuation reserves) during such fiscal year, first, to the restoration of the impairment, if any, of capital; and, second, to the establishment and maintenance of a surplus account, the minimum amount of which shall be prescribed by the [production credit corporation] *Federal intermediate credit bank.*

(b) A production credit association may pay dividends of not to exceed 7 per centum per annum when such payments are approved by the [production credit corporation] *Federal intermediate credit bank* of the district and are consistent with policies established under regulations issued by the Farm Credit Administration.

SEC. 23. [Each production credit association shall, under such rules and regulations as may be prescribed by the production credit corporation of the district with the approval of the Farm Credit Administration, invest its funds and make loans to farmers for general agricultural purposes.] *Each production credit association shall, under such rules and regulations as may be prescribed by the farm credit board of the district with the approval of the Farm Credit Administration, invest its funds and make loans to farmers for general agricultural purposes and other requirements of the borrowers.* [Such loans shall be made on such terms and conditions, at such rates of interest, and with such security as may be prescribed by the corporation.] No

borrower shall be indebted to the association at any one time in an amount in excess of 15 per centum of the capital and surplus of the association unless the loan has the prior approval of the [corporation] *Federal intermediate credit bank*, or in excess of 35 per centum of the capital and surplus of the association unless the loan also has the prior approval of the Farm Credit Administration. Borrowers shall be required to own, at the time the loan is made, class B stock of the association in an amount equal in fair book value (not to exceed par), as determined by the association, to $5 per $100 or fraction thereof of the amount of the loan. Such stock shall not be canceled or retired upon payment of the loan but may be transferred or exchanged as provided in section 21 of this Act.

* * * * * * *

SEC. 34. Subject to such terms and conditions as may be prescribed by the Farm Credit Administration, the Central Bank is authorized: (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended; (b) to make loans (by way of discount or otherwise) to banks for cooperatives organized under section 2 of this Act *or to Federal land banks or Federal intermediate credit banks;* (c) to buy from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks.

* * * * * * *

SEC. 41. Subject to such terms and conditions as may be prescribed by the Farm Credit Administration, the banks for cooperatives are authorized (a) to make loans to cooperative associations as defined in the Agricultural Marketing Act, as amended, for any of the purposes and subject to the conditions and limitations set forth in such Act, as amended; (b) to make loans (by way of discount or otherwise) to any bank organized under this Act *or to Federal land banks or Federal intermediate credit banks;* (c) to buy from, and sell to, any such bank or any Federal intermediate credit bank any note, draft, bill of exchange, debenture, or other obligation, or any interest therein; and (d) to borrow from, and discount or rediscount paper with, any and all such banks and commercial banks.

* * * * * * *

SEC. 60. The Central Bank for Cooperatives, and [the Production Credit Corporations,] the Production Credit Associations, and the Banks for Cooperatives, organized under this Act, shall have succession, until dissolved in accordance with this or any other Act of Congress; shall have power to sue and be sued in any court, to adopt and use a corporate seal, to make contracts, to acquire, hold, and dispose of real and personal property necessary and incident to the conduct of their business, to prescribe fees and charges (which in any case shall be subject to the rules and regulations prescribed by the governor) for loans and other services; and shall have such other powers necessary and incident to carrying out their powers and duties under this or any other Act of Congress as may be provided by the governor in their charters or in any amendments thereto. Each such bank, [association, or corporation] *or association* shall, for the purposes of jurisdic-

UNIVERSITY OF MICHIGAN LIBRARIES

tion, be deemed a citizen of the State or District within which its principal office is located. No district court of the United States shall have jurisdiction of any action or suit by or against any [Production Credit Corporation or] Production Credit Association upon the ground that it was incorporated under this Act or that the United States owns a majority of the stock in it, nor shall any district court of the United States within the farm credit district served by such association [or corporation] have jurisdiction by removal or otherwise of any suit by or against any such association [or corporation] except in cases by or against the United States or by or against any officer of the United States and except in cases by or against any receiver of any such [corporation or] association appointed in accordance with section 65.

SEC. 61. At least once each year and at such other times as the governor deems necessary, the Central Bank for Cooperatives, and each [Production Credit Corporation,] Production Credit Association, and Bank for Cooperatives, organized under this Act, shall be examined by examiners designated by the governor. The governor shall assess the cost of such examinations against the bank, [association, or corporation] *or association* examined, which shall pay such costs to the governor. The amounts so assessed and unpaid shall be a prior lien on all assets of the bank, [association, or corporation] *or association* examined except on assets pledged to secure loans.

SEC. 62. The Central Bank for Cooperatives, the [Production Credit Corporations,] Production Credit Associations, the Federal Farm Mortgage Corporation, and Banks for Cooperatives, organized under this Act, when designated for that purpose by the Secretary of the Treasury, shall act as fiscal agents of the United States Government and when acting as such shall perform such duties as shall be prescribed by the Secretary of the Treasury.

SEC. 63. The Central Bank for Cooperatives, and [the Production Credit Corporations,] Production Credit Associations, and Banks for Cooperatives, organized under this Act, and their obligations, shall be deemed to be instrumentalities of the United States, and as such, any and all notes, debentures, bonds, and other such obligations issued by such banks, [associations, or corporations] *or associations* shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority. Such banks, [associations, and corporations,] *and associations*, their property, their franchises, capital, reserves, surplus, and other funds, and their income, shall be exempt from all taxation now or hereafter imposed by the United States or by any State, Territorial, or local taxing authority; except that any real property and any tangible personal property of such banks, [associations, and corporations] *and associations*, shall be subject to Federal, State, Territorial, and local taxation to the same extent as other similar property is taxed. [The exemption provided herein shall not apply with respect to any production credit association or its property or income after the class A stock held in it by the production credit corporation has been retired, or with respect to the Central Bank for Cooperatives, or any production credit corporation or bank for cooperatives, or its property or income after the stock held in it by the United States has been retired.] *The exemption provided herein shall*

not apply with respect to any production credit association or its property or income after the class A stock held in it by the Governor has been retired, or with respect to any bank for cooperatives or its property or income after the stock held in it by the United States has been retired.

SEC. 65. Upon default of any obligation of any [Production Credit Corporation,] Production Credit Association, or Bank for Cooperatives, such bank, [association, or corporation] *or association* may be declared insolvent and placed in the hands of a receiver by the governor and proceedings shall thereupon be had in accordance with the provisions of law relating to the insolvency of national farm-loan associations. Any such bank, [association, or corporation] *or association* may, with the consent of the governor, liquidate voluntarily, but only in accordance with such rules and regulations as the governor may prescribe.

* * * * * * *

[SEC. 86a. With the approval of the Governor of the Farm Credit Administration and under rules and regulations to be prescribed by the Production Credit Commissioner, production credit associations organized under the provisions of the Farm Credit Act of 1933 are authorized and empowered (without regard to the provisions of this Act relating to the requirement for the ownership of Class B stock or any other limitations therein contained) (1) to make loans to farmers for the purpose of enabling them to make home alterations, repairs, and improvements, (2) to sell, discount, assign, or otherwise dispose of any loans made by them under the provisions of this section, under such restrictions and limitations as to endorsement and liability as may be approved by the Governor of the Farm Credit Administration, (3) to avail themselves of the benefits of insurance under the provisions of section 2 of the National Housing Act, and (4) to do all such things as may be reasonably necessary to carry out the provisions of this section.]

* * * * * * *

ACT OF AUGUST 19, 1937

AN ACT To amend the Federal Farm Loan Act, to amend the Emergency Farm Mortgage Act of 1933, to amend the Farm Credit Act of 1933, to amend the Federal Farm Mortgage Corporation Act, to amend the Agricultural Marketing Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Farm Credit Act of 1937".

* * * * * * *

SEC. 5. * * *

* * * * * * *

(d) * * *

* * * * * * *

(2) Notwithstanding the above provision with respect to the appointment of district directors, one additional member of said board shall be elected by each of the groups aforesaid (national farm loan associations and borrowers through agencies, production credit

associations, and cooperatives which are stockholders or subscribers to the guaranty fund of the regional bank for cooperatives of the district), and serve in lieu of a district director, under the following circumstances and conditions:

* * * * * * *

(B) Whenever, as determined by the Farm Credit Administration, the sum of the capital stock held by persons other than the [production credit corporation of the district] *Governor of the Farm Credit Administration,* surplus, and reserves of the production credit associations (collectively) of a farm credit district shall equal or exceed 66⅔ per centum of the total of the capital stock, surplus, and reserves of the production credit associations (collectively) of said district as of the date six months before the expiration of the term of office of the district director (or third district director) whose term next expires, the successor to such director shall be elected by the production credit associations of the district in the manner herein provided, shall be known as an elected director, and successors to that office shall be so elected and known from term to term while such conditions obtain: *Provided,* That, if and when, as determined by the Farm Credit Administration, such conditions do not obtain as of the date six months before the expiration of the term of office of any director so elected under the provisions of this subparagraph, the successor to such director shall be appointed by the Governor of the Farm Credit Administration by and with the advice and consent of the Federal Farm Credit Board, shall be known as a district director, and successors to that office shall be so appointed and known from term to term for such terms as appointment is not precluded by the election of an additional director by one of the groups aforesaid as herein provided: *And provided further,* That such production credit associations shall again and from time to time elect one additional director as aforesaid, if and when the required conditions named in this subparagraph shall be determined to obtain as aforesaid.

* * * * * * *

(h) Members of each farm credit board shall have been, for at least two years, residents of the district for which they are appointed or elected. From and after the date of enactment of this Act, no person shall be eligible for election or appointment as a member of any district farm credit board, and no person hereafter elected or appointed as a member of any district farm credit board shall be eligible to continue to serve as such, if in either case said person is an officer or employee of any Federal land bank, Federal intermediate credit bank, [production credit corporation,] or bank for cooperatives. No district director, excepting any third district director selected as hereinabove specified, shall, during his continuance in office, be a director, officer, or employee of any institution, association, or partnership engaged in the business of lending money or of making or selling land mortgage loans, except an institution or association under the supervision of the Farm Credit Administration.

* * * * * * * *

SEC. 6. Each farm credit board provided for in this Act shall have power, subject to the approval of the Farm Credit Administration—

(a) To employ joint officers and employees for the Federal land bank, Federal intermediate credit bank, [production credit corporation,] and regional bank for cooperatives in its district. The salaries or other compensation of all such joint officers and employees shall be fixed by the district farm credit board and shall be paid by the Federal land bank of the district. Such bank shall be reimbursed therefor by the other [three] institutions in the district, in such amounts and upon such conditions as the board shall determine. Officers and employees appointed by the district farm credit board shall be officers and employees of the district institutions served by them.

(b) To authorize the acquisition and disposal of such property, real or personal, as may be necessary or convenient for the transaction of the business of the Federal land bank, the Federal intermediate credit bank, [the bank for cooperatives, and the production credit corporation] *and the bank for cooperatives*, located in its district, upon such terms and conditions as it shall fix, and to prorate among such institutions the cost of purchases, rentals, construction, repairs, alterations, maintenance, and operation, in such amounts and in such manner as it shall determine. Any lease, or any contract for the purchase or sale of property, or any deed or conveyance of property, or any contract for the construction, repair, or alteration of buildings, authorized by a district farm credit board under this subsection shall be executed by the officers of the institution or institutions concerned pursuant to the direction of such board. No provision of law relative to the acquisition or disposal of property, real or personal, by or for the United States, or relative to the making of contracts or leases by or for the United States, including the provisions set out in title 40 and title 41 of the United States Code, 1934 edition, and the Supplements thereto, and including provisions applicable to corporations wholly owned by the United States, shall be deemed or held applicable to any lease, purchase, sale, deed, conveyance, or contract authorized or made by a district farm credit board, Federal land bank, Federal intermediate credit bank, [production credit corporation,] or bank for cooperatives under this subsection.

* * * * * * *

AN ACT To increase farmer participation in ownership and control of the Federal Farm Credit System; to create a Federal Farm Credit Board; to abolish certain offices; to impose a franchise tax upon certain farm credit institutions; and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE

SECTION 1. This Act may be cited as the "Farm Credit Act of 1953".

* * * * * * *

SEC. 8. The Farm Credit Administration is authorized and directed, by order or rules and regulations, to delegate to a Federal land bank such of the duties, powers, and authority of the Farm Credit Administration with respect to and over National Farm Loan Associations, their officers and employees, in the farm credit district wherein such

UNIVERSITY OF MICHIGAN LIBRARIES

Federal land bank is located, as may be determined to be in the interest of effective administration; and, in like manner, to delegate to a [production credit corporation] *Federal intermediate credit bank* such of the duties, powers, and authority of the Farm Credit Administration with respect to and over production credit associations, their officers and employees, in the farm credit district wherein such [production credit corporation] *Federal intermediate credit bank* is located, as may be determined to be in the interest of effective administration; and, in either case the duties, powers, and authority so delegated shall be performed and exercised under such conditions and requirements and upon such terms as the Farm Credit Administration may specify. Any Federal land bank or [production credit corporation] *Federal intermediate credit bank* to which any such duties, powers, or authority may be delegated is hereby authorized and empowered to accept, perform, and exercise such duties, powers, and authority as may be so delegated to it.

* * * * * * *

SEC. 16. [(a) Any other provisions of law to the contrary notwithstanding after the effective date of this Act any production credit association may, with the approval of the President of the Production Credit Corporation and of the Farm Credit Administration, issue nonvoting preferred stock, to be known as class C stock, which may be purchased and held by production credit corporations and by investors: *Provided*, That the issuance of such stock shall be authorized by vote of not less than two-thirds of the outstanding shares of class A stock of the association (other than shares held by the Production Credit Corporation) by the holders thereof in person or by proxy and by vote of not less than two-thirds of the outstanding shares of class B stock of the association by the holders thereof in person or by proxy; and for this purpose holders of class A stock (other than the Production Credit Corporation) and holders of class B stock shall be entitled to one vote for each share of stock held by them.]

(a) Any other provisions of law to the contrary notwithstanding, after the effective date of this Act any production credit association may, with the approval of the Farm Credit Administration, issue nonvoting preferred stock, to be known as class C stock, which may be purchased and held by the Governor of the Farm Credit Administration and by investors: Provided, That the issuance of such stock shall be authorized by vote of not less than two-thirds of the outstanding shares of class A stock of the association (other than shares held by the Governor of the Farm Credit Administration) by the holders thereof in person or by proxy and by vote of not less than two-thirds of the outstanding shares of class B stock of the association by the holders thereof in person or by proxy; and for this purpose holders of class A stock (other than the Governor of the Farm Credit Administration) and holders of class B stock shall be entitled to one vote for each share of stock held by them. Payments for such stock purchased by the Governor shall be made out of the revolving fund created by section 5 (a) of the Farm Credit Act of 1933, as amended, and the proceeds from the retirement of any such stock shall be paid into such revolving fund.

* * * * * * *

DEPARTMENT OF AGRICULTURE ORGANIC ACT OF 1944 (ACT OF SEPTEMBER 21, 1944)

AN ACT To provide for the control and eradication of certain animal and plant pests and diseases, to facilitate cooperation with the States in fire control, to provide for the more efficient protection and management of the national forests, to facilitate the carrying out of agricultural conservation and related agricultural programs, to facilitate the operation of the Farm Credit Administration and the Rural Electrification Administration, to aid in the orderly marketing of agricultural commodities, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That,

* * * * * * *

SEC. 601. (a) The Farm Credit Administration shall, prior to the first day of each fiscal year commencing after June 30, 1944, estimate for the ensuing fiscal year the cost of examinations of the Federal land banks, national farm-loan associations, banks for cooperatives, Central Bank for Cooperatives, Federal intermediate credit banks, [production credit corporations,] and production credit associations; shall apportion the amount so determined among the Federal land banks, national farm loan associations, banks for cooperatives, Central Bank for Cooperatives, Federal intermediate credit banks, [production credit corporations,] and production credit associations on such equitable basis as said Administration shall determine; and shall assess against and collect in advance the amount so apportioned from the banks, [corporations,] and other organizations among which the apportionment is made, except that the amounts apportioned to national farm loan associations shall be assessed against and collected from the Federal land bank of the district which may in turn collect such amounts from the associations in a manner approved by the Farm Credit Administration.

(b) The Farm Credit Administration shall, prior to the first day of each fiscal year commencing after June 30, 1944, estimate the cost to it for the ensuing fiscal year of the administrative supervision of the Federal land bank system, the banks for cooperatives, the Central Bank for Cooperatives, the Federal intermediate credit banks, and the production credit system; shall apportion the amount so determined among the Federal land banks, the banks for cooperatives, the Central Bank for Cooperatives, [the Federal intermediate credit banks, and the production credit corporations] *and the Federal intermediate credit banks* on such equitable basis as said Administration shall determine; and shall assess against and collect in advance from such banks [and corporations] the amount so apportioned.

(c) The amounts collected pursuant to subsections (a) and (b) hereof shall be covered into the Treasury, and credited to a special fund, which fund is hereby authorized to be appropriated to said Administration for expenditure during each fiscal year for salaries and expenses applicable to examination and administrative supervision as set forth in the annual appropriation made for the same fiscal year for salaries and expenses of said Administration. As soon as practicable after the end of each such fiscal year, said Administration shall determine on a fair and reasonable basis (1) the cost of the examination services rendered during the fiscal year to each said bank, [corporation,] or other organization; and (2) the amount which fairly and equitably

should be allocated to each bank [and corporation] as the cost during the fiscal year of such administrative supervision, and if the sum of these two items in any case is greater than the total amount collected from the bank, [corporation,] or other ogranization, the difference shall be collected from such bank, [corporation,] or other organization, and, if less, shall be refunded from said special fund to the bank, [corporation,] or other organization entitled thereto.

* * * * * * * *

TITLE 18 OF UNITED STATES CODE

* * * * * * * *

§658. Property mortgaged or pledged to farm credit agencies.

Whoever, with intent to defraud, knowingly conceals, removes, disposes of, or converts to his own use or to that of another, any property mortgaged or pledged to, or held by, the Farm Credit Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, Federal Crop Insurance Corporation, Farmers' Home Corporation, the Secretary of Agriculture acting through the Farmers' Home Administration, any production credit association organized under sections 1131–1134m of Title 12, [or in which a Production Credit Corporation holds stock], any regional agricultural credit corporation, or any bank for cooperatives, shall be fined not more than $5,000 or imprisoned not more than five years, or both; but if the value of such property does not exceed $100, he shall be fined not more than $1,000 or imprisoned not more than one year or both.

* * * * * * * *

§ 1014. Loan and credit applications generally; renewals and discounts; crop insurance.

Whoever knowingly makes any false statement or report or willfully overvalues any land, property or security, for the purpose of influencing in any way the action of the Reconstruction Finance Corporation, Farm Credit Administration, Federal Crop Insurance Corporation, Farmers' Home Corporation, the the Secretary of Agriculture acting through the Farmers' Home Administration, any Federal intermediate credit bank, or the Federal Farm Mortgage Corporation, or any division officer, or employee thereof, or of any corporation organized under sections 1131–1134m of Title 12, [or in which a Production Credit Corporation holds stock], or of any regional agricultural credit corporation established pursuant to law, or of the National Agricultural Credit Corporation, a Federal Home Loan Bank, the Federal Home Loan Bank Board, the Home Owners' Loan Corporation, a Federal Savings and Loan Association, a Federal land bank, a joint-stock land bank, a National farm loan association, or of a Federal Reserve bank, upon any application, advance, discount, purchase, purchase agreement, repurchase agreement, commitment, or loan, or any change or extension of any of the same, by renewal, deferment of action or otherwise, or the acceptance, release, or substitution of security therefor, shall be fined not more than $5,000 or imprisoned not more than two years, or both.

* * * * * * * *

ACT OF DECEMBER 6, 1945

AN ACT To provide for financial control of Government corporations.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Government Corporation Control Act".

* * * * * * *

SEC. 101. As used in this Act the term "wholly owned Government corporation" means the Commodity Credit Corporation; [Federal Intermediate Credit Banks; Production Credit Corporations;] Regional Agricultural Credit Corporations; Farmers Home Corporation; Federal Crop Insurance Corporation; Federal Farm Mortgage Corporation; Federal Surplus Commodities Corporation; Reconstruction Finance Corporation; Defense Plant Corporation; Defense Supplies Corporation; Metals Reserve Company; Rubber Reserve Company; War Damage Corporation; Federal National Mortgage Association; the RFC Mortgage Company; Disaster Loan Corporation; Inland Waterways Corporation; Warrior River Terminal Company; Virgin Islands Corporation; Federal Prison Industries, Incorporated; United States Spruce Production Corporation; Institute of Inter-American Affairs; Institute of Inter-American Transportation; Inter-American Educational Foundation, Incorporated; Inter-American Navigation Corporation; Prencinradio, Incorporated; Cargoes, Incorporated; Export-Import Bank of Washington; Petroleum Reserves Corporation; Rubber Development Corporation; U. S. Commercial Company, Smaller War Plants Corporation; Federal Public Housing Authority (or Public Housing Administration) and including public housing projects financed from appropriated funds and operations thereof; Defense Homes Corporation; Federal Savings and Loan Insurance Corporation; Home Owners' Loan Corporation; United States Housing Corporation; Federal Housing Administration; Saint Lawrence Seaway Development Corporation; Panama Canal Company; Tennessee Valley Authority; and Tennessee Valley Associated Cooperatives, Incorporated.

* * * * * * *

SEC. 201. As used in this Act the term "mixed-ownership Government corporations" means (1) the Central Bank for Cooperatives and the Regional Banks for Cooperatives, (2) Federal Land Banks, (3) *Federal Intermediate Credit Banks*, (*4*) Federal Home Loan Banks, and [(4)] (*5*) Federal Deposit Insurance Corporation.

* * * * * * *

SEC. 302. The banking or checking accounts of all wholly owned and mixed-ownership Government corporations shall be kept with the Treasurer of the United States, or, with the approval of the Secretary of the Treasury, with a Federal Reserve bank, or with a bank designated as a depositary or fiscal agent of the United States: *Provided*, That the Secretary of the Treasury may waive the requirements of this section under such conditions as he may determine: *And provided further*, That this section will not apply to the establishment and maintenance in any bank for a temporary period of banking and checking accounts not in excess of $50,000 in any one bank. The provisions of this section shall not be applicable to Federal Inter-

mediate Credit Banks, [Production Credit Corporations,] the Central Bank for Cooperatives, the Regional Banks for Cooperatives, or the Federal Land Banks, except that each such corporation shall be required to report annually to the Secretary of the Treasury the names of the depositaries in which such corporation keeps a banking or checking account, and the Secretary of the Treasury may make a report in writing to the corporation, to the President, and to the Congress which he deems advisable upon receipt of any such annual report.

SEC. 303. (a) All bonds, notes, debentures, and other similar obligations which are hereafter issued by any wholly owned or mixed-ownership Government corporation and offered to the public shall be in such forms and denominations, shall have such maturities, shall bear such rates of interest, shall be subject to such terms and conditions, shall be issued in such manner and at such times and sold at such prices as have been or as may be approved by the Secretary of the Treasury.

(b) Hereafter, no wholly owned or mixed-ownership Government corporation shall sell or purchase any direct obligation of the United States or obligation guaranteed as to principal or interest, or both, for its own account and in its own right and interest, at any one time aggregating in excess of $100,000, without the approval of the Secretary of the Treasury: *Provided*, That the Secretary of the Treasury may waive the requirement of his approval with respect to any transaction or classes of transactions subject to the provisions of this subsection for such period of time and under such conditions as he may determine.

(c) The Secretary of the Treasury is hereby authorized to exercise any of the functions vested in him by this section through any officer, or employee of any Federal agency whom he may designate, with the concurrence of the head of the agency concerned, for such purpose.

(d) Any mixed-ownership Government corporation from which Government capital has been entirely withdrawn shall not be subject to the provisions of section 302 or of this section during the period such corporation remains without Government capital. The provisions of subsections (a) and (b) of this section shall not be applicable to Federal Intermediate Credit Banks, [Production Credit Corporations,] the Central Bank for Cooperatives, the Regional Banks for Cooperatives, or the Federal Land Banks, except that each such corporation shall be required to consult with the Secretary of the Treasury prior to taking any action of the kind covered by the provisions of subsections (a) and (b) of this section, and in the event an agreement is not reached, the Secretary of the Treasury may make a report in writing to the corporation, to the President, and to the Congress stating the grounds for his disagreement.

* * * * * * *

REVISED STATUTES OF THE UNITED STATES

* * * * * * *

SEC. 5136. * * *

* * * * * * *

Seventh. (Last two sentences only.)

* * * * * * *

The limitations and restrictions herein contained as to dealing in, underwriting and purchasing for its own account, investment securities shall not apply to obligations of the United States, or general obligations of any State or of any political subdivision thereof, or obligations issued under authority of the Federal Farm Loan Act, as amended, or issued by the *thirteen banks for cooperatives or any of them or the* Federal Home Loan Banks or the Home Owners' Loan Corporation, or obligations which are insured by the Federal Housing Administrator pursuant to section 207 of the National Housing Act, if the debentures to be issued in payment of such insured obligations are guaranteed as to principal and interest by the United States, or obligations of the Federal National Mortgage Association, or such obligations of any local public agency (as defined in section 110 (h) of the Housing Act of 1949) as are secured by an agreement between the local public agency and the Housing and Home Finance Administrator in which the local public agency agrees to borrow from said Administrator, and said Administrator agrees to lend to said local public agency, prior to the maturity of such obligations (which obligations shall have a maturity of not more than eighteen months), monies in an amount which (together with any other monies irrevocably committed to the payment of interest on such obligations) will suffice to pay the principal of such obligations with interest to maturity thereon, which monies under the terms of said agreement are required to be used for the purpose of paying the principal of and the interest on such obligations at their maturity, or such obligations of a public housing agency (as defined in the United States Housing Act of 1937, as amended) as are secured either (1) by an agreement between the public housing agency and the Public Housing Administration in which the public housing agency agrees to borrow from the Public Housing Administration, and the Public Housing Administration agrees to lend to the public housing agency, prior to the maturity of such obligations (which obligations shall have a maturity of not more than eighteen months), monies in an amount which (together with any other monies irrevocably committed to the payment of interest on such obligations) will suffice to pay the principal of such obligations with interest to maturity thereon, which monies under the terms of said agreement are required to be used for the purpose of paying the principal of and the interest on such obligations at their maturity, or (2) by a pledge of annual contributions under an annual contributions contract between such public housing agency and the Public Housing Administration if such contract shall contain the covenant by the Public Housing Administration which is authorized by subsection (b) of section 22 of the United States Housing Act of 1937, as amended, and if the maximum sum and the maximum period specified in such contract pursuant to said subsection 22 (b) shall not be less than the annual amount and the period for payment which are requisite to provide for the payment when due of all installments of principal and interest on such obligations: *Provided*, That in carrying on the business commonly known as the safe-deposit business the association shall not invest in the capital stock of a corporation organized under the law of any State to conduct a safe-deposit business in an amount in excess of 15 per centum of the capital stock of the association actually paid in and unimpaired and 15 per centum of its unimpaired surplus. [The limitations and restrictions herein contained as to

dealing in and underwriting investment securities shall not apply to obligations issued by the International Bank for Reconstruction and Development or the thirteen banks for cooperatives organized under the Farm Credit Act of 1933, or any of them which are at the time eligible for purchase by a national bank for its own account: *Provided*, That no association shall at any one time hold obligations issued by either of said banks as a result of underwriting, dealing, or purchasing for its own account (and for this purpose obligations as to which it is under commitment shall be deemed to be held by it) in a total amount, with respect to each issuer, exceeding 10 per centum of its capital stock actually paid in and unimpaired and 10 per centum of its unimpaired surplus fund.] *The limitations and restrictions herein contained as to dealing in and underwriting investment securities shall not apply to obligations issued by the International Bank for Reconstruction and Development which are at the time eligible for purchase by a national bank for its own account: Provided, That no association shall hold obligations issued by said bank as a result of underwriting, dealing, or purchasing for its own account (and for this purpose obligations as to which it is under commitment shall be deemed to be held by it) in a total amount exceeding at any one time 10 per centum of its capital stock actually paid in and unimpaired and 10 per centum of its unimpaired surplus fund.*

○

Calendar No. 2169

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2146

MAINTENANCE OF PRODUCTION OF TUNGSTEN, ASBESTOS, FLUORSPAR, AND COLUMBIUM-TANTALUM IN THE UNITED STATES AND ITS TERRITORIES

JUNE 6 (legislative day, JUNE 4), 1956.—Ordered to be printed

Mr. MURRAY, from the Committee on Interior and Insular Affairs, submitted the following

REPORT

[To accompany S. 3982]

The Committee on Interior and Insular Affairs, to whom was referred the bill (S. 3982) to provide for the maintenance of production of tungsten, asbestos, fluorspar, and columbium-tantalum in the United States, its Territories, and possessions, and for other purposes, having considered the same, report favorably thereon with two amendments and recommend that the bill as amended do pass.

THE AMENDMENTS

Amendment No. 1: On page 2 of the printed bill, line 8, after the words "per short ton unit" strike the period and insert a comma, and following the comma the words—

> f. o. b. mine: *Provided, however,* That for production from mines with an annual production which has not heretofore and does not exceed 1,000 short ton units during any one year, the price shall be $63 per short ton unit, f. o. b. the mine

The purpose and intent of amendment No. 1 is to provide a price for scores of small producers that will enable them to continue operations. It is not the intent that the bonus of $8 per unit shall be paid to any producer where his annual output exceeds 1,000 units, and it is further the intent that the Director of the General Services Administration shall immediately discontinue payment of the bonus price to any producer when his output exceeds 1,000 units in any one year. In other words this bonus payment is intended to benefit only those producers who have a historical production background of less than

1,000 units annually, or in the case of a new producer, that can be reasonably expected not to produce more than 1,000 units annually. Attention is called to the fact that under the tungsten purchase program provided for by the Domestic Minerals Extension Act of 1953, which has terminated, the price paid for tungsten was $63 per short ton unit.

Amendment No. 2: On page 3, line 1, strike the figure "$57.50" and insert in lieu thereof "$53", and in the same line after the word "ton" insert ", f. o. b. the mine."

EXTENSIVE HEARINGS HELD

S. 3982 was introduced as a result of extensive hearings attended by producers of the minerals under discussion herein and by representatives of the executive departments. The terms of the bill as amended are in line with suggestions offered in testimony of both the Office of Defense Mobilization and Department of the Interior, and meet the immediate emergency needs of the producers of these four materials vital to the national economy and security.

The hearings covered seven critical minerals which have been acquired under the domestic purchase program; namely, asbestos, beryl, chromite, columbium-tantalum, manganese, mica, and tungsten. Purchase of these minerals was authorized under Defense Production Act of 1950, as amended, and on August 7, 1953, Public Law 206 (Malone-Aspinall Act) was approved extending the time limit for 2 years, or until quantity limitations were reached.

The programs have terminated for asbestos, columbite-tantalite, tungsten, and the manganese purchase depots at Deming, N. Mex., and Wenden, Ariz., due to the acquisition of the full quantity. The statutory termination dates for others are as follows:

Beryl	December 1956
Chromite	June 1957
Manganese: Butte-Philipsburg and carlot program	June 1958
Mercury	December 1957
Mica	June 1957

In addition to the above, consideration was given to antimony, acid-grade and metallurgical fluorspar.

In regard to the minerals where the domestic purchase programs are still in force, Dr. Flemming, Director of the Office of Defense Mobilization, told the committee:

> I have taken action necessary to insure the continuance of domestic purchase programs for six minerals under the authority of the Stock Piling Act or the Defense Production Act. These six minerals are: mica, muscovite bloc, and film; metallurgical chromite, beryl; metallurgical manganese; metallurgical fluorspar; and antimony. In the case of mercury a review will be made at a later date to ascertain whether there is any need for extension or intensification of the program.

Dr. Flemming also told the committee:

> I also recommend that in the case of three minerals: Chrysotile asbestos, acid-grade fluorspar and tungsten—for which all defense needs have been met, the Congress pass

such legislation and appropriate such funds as it deems necessary to provide interim assistance pending consideration by the Congress of a long-range nondefense program.

As certain segments of the purchase programs have already expired and others will expire before the end of the time limit set by the Malone-Aspinall Act (Public Law 206), the committee feels that the passage of S. 3982 is a matter of considerable urgency and recommends early floor action.

Witnesses were heard representing producers of these minerals with the exception of fluorspar on April 19, 20, and 21, 1956. Later the fluorspar industry filed statements with the committee.

Government witnesses were heard as follows:

April 25, 1956: T. H. Rawlings, Director, Barter and Stockpiling Division, Commodity Stabilization Service, Department of Agriculture; Theodore L. Sweet, Chief, Industrial Commodity Trade Staff, Office of Industrial Resources, International Cooperation Administration.

May 16, 1956: John E. Forry, Assistant Director, Office of Aircraft and Marine Craft, Department of Defense.

May 24, 1956: Donald A. Quarles, Secretary, Department of Air Force; Dr. Arthur S. Flemming, Director, Office of Defense Mobilization.

May 25, 1956: Felix Wormser, Assistant Secretary, Department of Interior.

Numerous bills have been introduced by members of the committee and other Senators dealing with these minerals individually and collectively. All were on the agenda of the hearings. The purpose of the hearings has been to determine what future action should be taken by the Congress concerning the purchase of those minerals where the acquisition of which has been terminated; namely, tungsten, asbestos, and columbium-tantalum, and, in addition, the establishment of a program for acid-grade fluorspar, acquiesced in by Dr. Flemming.

TUNGSTEN

Testimony presented showed the purchase of tungsten was initiated August 1, 1952, and scheduled to continue until July 1, 1956, or until 3 million short ton units had been delivered to the Government. On August 7, 1953, under Public Law 206, the termination date was extended to July 1, 1958, or until the quantity limitation was reached. It required about 2 years to bring new mines into production and rehabilitate old ones. Important new large discoveries were made and also a very considerable number of small ones.

At the close of World War II and during the period of 1946–50, the average production for these years was only 3.7 million pounds contained tungsten per year. Imports ran at the rate of 8.2 million pounds with consumption at 6.9 million pounds. Under the program which was initiated at the beginning of the Korean war and as soon as the mines were ready to operate, production rapidly increased to 15.6 million pounds in 1955. Imports were 20.7 million and consumption 8.9 million pounds. When the Korean war came, domestic production was at low ebb, which gave the foreign producers an opportunity to run the price up from $26 including a duty of $7.93 to $100 per unit, and it was not until the domestic program went into effect

that the price was stabilized at the base price of $63. The purchase program terminated quantitywise June 1, 1956.

China has the largest known reserves of tungsten in the world, and during the period of 1905–48 supplied 25 percent of world production, while Asia, as a whole, produced more than 50 percent during this period. Wages in the Asian area are the lowest in the world and are often a cup of rice for a day's pay. Wages in American mines average between $16 and $18 per day. Foreign producers are in a position to close domestic mines by the simple expedient of dropping the price. But, when the demand is increased, or an emergency occurs, the price becomes all the traffic will bear.

During the early part of 1956 there were approximately 700 producing operations in this country with an employment roll of 3,500. The principal producing States are: California, 34 percent; Nevada, 28 percent; North Carolina, 16 percent; Montana, 10 percent; with Idaho, Arizona, Washington, and Colorado accounting for the balance. There are 49 custom mills in operation in the West with one chemical refinery in operation in Salt Lake City and another one on Long Island, N. Y.

These scattered mines and mills are the only source of livelihood for the communities that have been built up around them and to close the mines would work a definite hardship on many people.

TAXES CONSUME MORE THAN ONE-THIRD

A number of the producing companies supplied information on their tax schedules which demonstrated that more than one-third of the $63 per unit price paid by the Government is returned in the form of taxes—Federal, State, county and local taxes—plus the fringe benefits to employees such as hospitalization, vacations, and insurance of various kinds. The foreign price currently is $43 per unit, duty paid. It must be remembered that foreign producers pay no American taxes, buy no supplies in America, yet enjoy the benefit of the best technical skill and equipment this country can offer and free access to the largest and most profitable market in the world, and in many instances, are able to take advantage of multiple and devalued exchange rates. And in this connection, Senator Bible inserted in the record data which he described as "interesting figures which indicate that the Federal Government is not paying domestic tungsten producers over $40 per short ton unit after considering the return by taxes amounting to approximately $25 per short ton unit."

A large number of foreign contracts were negotiated during 1951 and 1952 at prices averaging $55 per unit, and in some cases the contracts do not expire until 1959. There is still a large quantity of tungsten yet due for delivery on these contracts.

DR. FLEMMING RECOMMENDS LEGISLATION

Dr. Flemming, Director of the Office of Defense Mobilization, testified no new foreign contracts have been signed since January 1953. Dr. Flemming stated:

> There is clearly no defense justification for a continuation of this program because even without any access to either domestic or foreign sources of supply in the event of war, we

would have enough in the stockpile to meet total requirements for approximately a 5-year period.

"In view of the fact that the purchase program is about to terminate and that all defense needs have been met, we believe that this also is a situation where Congress should take appropriate action to assist the industry by providing for the purchase of specified amounts from nondefense funds until Congress has had time to consider recommendations from the Department of the Interior for a long-term program."

Thus the Minerals Policy Committee recognized that there may be nondefense problems in the minerals industries, and, therefore, that, as is evident later in the report, these problems are beyond the scope of the Office of Defense Mobilization as a defense agency.

"I suggest, however, that where a domestic purchase program is about to terminate and where all defense needs have been met, the Congress should make provisions beyond the scope of defense legislation to assist the industry by providing for the purchase of specified amounts from nondefense funds until the Congress has had time to consider recommendations from the appropriate nondefense agency; namely, the Department of Interior, for a long-range program."

"I also recommend that in the case of three minerals: Chrysotile asbestos, acid-grade fluorspar, and tungsten—for which all defense needs have been met, the Congress pass such legislation and appropriate such funds as it deems necessary to provide interim assistance pending consideration by the Congress of a long-range nondefense program."

Senator Bible praised the stand taken by Dr. Flemming:

> I think you have made a definite contribution to the efforts of this committee to work out something realistic in the mining program. We are very grateful to you for at least being specific, so we know which way we are heading in this particular program.

In a discussion between Senator Malone and Mr. Wormser, Assistant Secretary of the Department of Interior, on the details a bill on tungsten should cover, Senator Malone asked:

> "Are you satisfied with any price that this committee might fix between $52 and $55—you, yourself?"

The reply was: "I would accept it."

On the matter of quantity, Senator Malone said:

> We feel that perhaps 1 million units is not quite enough. I have discussed it with various people and they suggest 1,250,000, which is not very much more.
>
> It might or might not be enough, but it would be a good start. On the same basis, would you personally be willing to accept 1,250,000 units if this committee, after consideration of your testimony and Dr. Flemming's yesterday and all the evidence we have before us, should arrive at that figure?

Mr. Wormser replied:

> I certainly would not want to quibble about the amount that the committee decides in its own judgment should be.
>
> Senator MALONE. Personally, you think it would be all right?
>
> Mr. WORMSER. I would have no objection to it.
>
> Senator MALONE. Would you take the same attitude on the asbestos program that you have very consistently taken on tungsten, and that is, after considering your testimony and Dr. Flemming's testimony, and all of the record we have made, whatever we come up with to last until your Cabinet committee can come in would be all right with you?
>
> Mr. WORMSER. Yes.

Tungsten possesses properties where hardness, great strength, resistance to high temperature and corrosion and light weight are of vital importance. Tungsten has a melting point of more than 6,000° F. It is a vital additive to alloys where high temperatures are encountered and strength is required, as in jet engines, guided missiles, and hundreds of other items for military and civilian use.

On May 16, 1956, Mr. John E. Forry, Assistant Director, Office of Aircraft and Marine Craft, in the Department of Defense, told the committee that the target number for tungsten by a directive issued July 1955, was 4.6 pounds of tungsten per 1,000 pounds of thrust. On April 30, 1956, however, he said, the target number was increased to 5.5 pounds per 1,000 pounds of thrust. The target number for columbium, under the 1955 directive, was 0.35 pounds; now, under the April 30, 1956 directive, is 0.70 pounds per 1,000 pounds of thrust.

COLUMBIUM-TANTALUM OF VITAL IMPORTANCE

Mr. R. H. Thielemann, director of Stanford Research Institute in California, testified that tungsten, as well as columbium-tantalum, nickel, copper and molybdenum, were of such extreme vital importance in the manufacture of high temperature equipment of the future, that every single available pound wherever found should be acquired and stored. He stated the higher use of tungsten than the target of 5.5 pounds per thousand pounds of thrust, would result in vastly increased life of turbine blades and other aircraft components than now possible under the target.

FLUORSPAR

Dr. Flemming testified that:

> The Government does not have any fixed-price purchase program for metallurgical fluorspar.

Dr. Flemming testified he has instructed General Services Administration:

> To determine by actual negotiations the premium that would have to be paid to accomplish domestic procurement of metallurgical fluorspar. As soon as this information is available, the General Services Administration will be authorized to pay an appropriate premium price for domestic procurement.

With reference to fluorspar—acid grade—Dr. Flemming said:

> The amount on hand and on order exceeds both the minimum and long-term stockpile objectives.
>
> The Government does not have any purchase program at premium prices for acid-grade fluorspar. The domestic industry has been supplying quantities to the Government, however, under regular stockpile contracts.
>
> In view of the fact that deliveries under these contracts are about to end, we believe that this is a situation where Congress should take appropriate action to assist the industry by providing for purchases of specified amounts from nondefense funds until Congress has had time to consider recommendations from the Department of the Interior for a long-term program.

COLUMBIUM-TANTALUM

These are the only minerals where foreign and domestic purchases were made under a single program. The goal was 15 million pounds, and as of December 1955, 15.1 million pounds were delivered at a total cost of $58.1 million. Of this amount, only 27,000 pounds of domestic production was delivered at a cost of $46,000.

A total of seven exploration contracts were made with Defense Minerals Exploration Administration where columbium-tantalum was a secondary mineral. Only one resulted in no discovery of columbite-tantalite.

It is believed practically all the foreign purchases came from Nigeria, West Africa. These highly critical minerals are scarce in most parts of the world, and they are so highly critical that incentive for making new discoveries in this country must be continued if we are to be realistic in our preparedness planning. Hence, they are included in this bill.

ASBESTOS

The production of domestic asbestos is limited to the San Carlos Indian Reservation in Arizona, although there are a few mines just outside the border of the reservation. It is mostly handwork employing quite a large number of men as well as women. This is the only work the reservation has, and if work of this type is not forthcoming, it probably would involve spending a great deal more than $3,240,000 for a dole.

Furthermore, this is the only substantial source of iron-free, soft, long spinning grade fiber in the United States. Most of this highly critical type of asbestos must be imported from Africa; and, in order to maintain a domestic mobilization base, mining should be continued and additional reserves discovered.

Both the Office of Defense Mobilization and the Department of the Interior recommended that the Congress continue the asbestos program.

APPROXIMATE COST OF THE PROGRAM

The approximate cost of the 2½-year program established by this bill would be:

Tungsten:	
1,250,000 units at $55 with allowance for additional $8 to small producers	$68, 870, 000
General Services Administration operating expenses	500, 000
Total	69, 370, 000
Asbestos:	
4,000 tons	3, 140, 000
General Services Administration operating expenses	100, 000
Total	3, 240, 000
Columbium-tantalum:	
250,000 pounds	1, 050, 000
General Services Administration operating expenses	10, 000
Total	1, 060, 000
Fluorspar:	
250,000 tons at $53	13, 250, 000
General Services Administration operating expenses	375, 000
Total	13, 625, 000
Total	87, 295, 000

The text of S. 3982 as amended by the committee follows:

[S. 3982, 84th Cong., 2d sess.]

[Omit the part struck through and insert the part printed in italic]

A BILL To provide for the maintenance of production of tungsten, asbestos, fluorspar, and columbium-tantalum in the United States, its Territories, and possessions, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Domestic Tungsten, Asbestos, Fluorspar, and Columbium-Tantalum Production and Purchase Act of 1956".

SEC. 2. The General Services Administration is hereby authorized and directed to establish and maintain—

(a) a program to purchase a minimum of one million two hundred and fifty thousand short ton units of tungsten trioxide (WO_3) contained in tungsten ores or concentrates mined subsequent to termination of the purchase program established under Public Law 206, which meet specifications set forth in General Services Administration regulations in effect on May 1, 1956, from mines located within the United States, its Territories, and possessions at a price of not less than $55 per short ton unit *free on board mine: Provided, however, That for production from mines with an annual production which has not heretofore and does not exceed one thousand short ton units during any one year the price shall be $63 per short ton unit, free on board the mine.*

(b) a program to purchase nonferrous chrysotile asbestos from mines located within the United States, its Territories, and pos-

sessions meeting the same specifications and under the same regulations and at prices in effect on January 1, 1956, for purchases of this material by the General Services Administration under the authority of the Defense Minerals Program Extension Act of 1953, in the amount of two thousand tons of crude numbered 1 and crude numbered 2 combined, and two thousand tons of crude numbered 3, excepting that crude numbered 3 may be purchased only when offered with crude numbered 1 or crude numbered 2, or both, at a ratio of not in excess of one to one.

(c) a program to purchase not less than two hundred and fifty thousand tons newly mined acid grade fluorspar containing not less than 97 per centum CaF_2 at a price of [$57.50] *$53* per short [ton] *ton, free on board mine*, from mines located within the United States, its Territories and possessions.

(d) a program to purchase columbium-tantalum from mines located within the United States, its Territories and possessions, meeting the same specifications, and under the regulations, and at prices in effect on December 1, 1955, for purchases of this material by the General Services Administration under the authority of the Defense Minerals Program Extension Act of 1953, in the amount of two hundred and fifty thousand pounds.

SEC. 3. All materials so purchased shall be held by the General Services Administration to be made available to the strategic stockpile or to be turned over to the supplemental stockpile created for strategic and critical materials in accordance with the provisions of the Act of July 10, 1954 (Public Law 430, Eighty-third Congress (68 Stat. 454)).

SEC. 4. This Act shall terminate on December 31, 1958.

SEC. 5. There are hereby authorized to be appropriated out of any moneys in the Treasury not otherwise appropriated such sums as may be necessary to carry out the provisions of this Act.

○

Calendar No. 2170

84TH CONGRESS, 2d Session | SENATE | REPORT No. 2147

EXTENSION OF EXPORT CONTROL ACT OF 1949

JUNE 6 (legislative day, JUNE 4), 1956.—Ordered to be printed

Mr. FULBRIGHT, from the Committee on Banking and Currency, submitted the following

REPORT

[To accompany H. R. 9052]

The Committee on Banking and Currency, to whom was referred the bill (H. R. 9052) to amend the Export Control Act of 1949 to continue for an additional period of 2 years the authority provided thereunder for the regulation of exports, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

PURPOSE OF THE BILL

H. R. 9052, as reported by the committee, would extend the Export Control Act of 1949 for a period of 2 years from its present termination date of June 30, 1956. This act, which is administered by the Secretary of Commerce, authorizes the regulation of exports to the extent necessary (*a*) to protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of abnormal foreign demand; (*b*) to further the foreign policy of the United States and to aid in fulfilling its international responsibilities; and (*c*) to exercise the necessary vigilance over exports from the standpoint of their significance to the national security.

SECURITY CONTROLS AND SHORT-SUPPLY CONTROLS

Controls under the Export Control Act are basically of two types—security export controls and short supply export controls. Security export controls are imposed on such strategic goods as electronics equipment, aviation gasoline, aluminum, and advanced types of machine tools. Short supply export controls are used to protect the domestic economy from the excessive drain of scarce materials and to reduce the inflationary impact of abnormal foreign demand. They

may also be imposed as a device for sharing our scarce supplies among friendly nations on an equitable basis or to meet only the more essential types of foreign demand.

NEED FOR SECURITY EXPORT CONTROLS

The need to control exports in the interest of national security will probably continue for the foreseeable future. There is no evidence that the underlying pattern of Soviet hostility has changed. It is clear that we must continue to take special precautions to see that United States goods of strategic significance do not go unchecked to the troubled spots of the world. In particular, we want to deny strategic goods to the European Soviet bloc and to implement the United States policy to embargo all goods to Communist China and North Korea.

DIRECT SHIPMENTS TO THE SOVIET BLOC

Regulations issued under the Export Control Act require that validated licenses be obtained for all commodities prior to export, directly or indirectly, to the Soviet bloc. Generally speaking, applications for direct exports to the Soviet bloc are approved only in the case of nonstrategic goods. In the last 6 months of 1955 only about 400 of the applications for proposed shipments were declared to be destined for the Soviet bloc as compared with almost 100,000 applications for shipments to the free world.

INDIRECT SHIPMENTS TO THE SOVIET BLOC

Indirect shipments to the Soviet bloc via friendly countries present a more difficult problem because we must recognize the real possibility that even where United States goods are shipped to friendly countries ostensibly for use there, they may be intended to be resold and shipped to the Soviet bloc.

Through the work of the United States Customs Service, and through trade intelligence and other sources abroad, we obtain information and act upon alleged attempts to move United States goods through indirect channels to the Soviet bloc. In this connection, the help of other friendly countries is obviously of great importance and insofar as practicable their customs and security controls are coordinated with our own.

Applications for shipments of strategic materials to free countries are not approved if there is reason to believe that the goods may be diverted to the Soviet bloc. A number of procedures and checks are used both in licensing and after licensing in order to verify the proposed export and assure that it will be carried through as represented. These include the checking of license applications against intelligence information concerning the parties involved in the proposed transaction; prechecking selected applications through the Foreign Service to determine the reliability of the consignee and the good faith of the transaction; inspecting shipping documents and spot checks of actual shipments at the ports of exit; tracing the arrival and disposition of selected shipments for compliance with the terms of the licneses; and a variety of documentary requirements calculated to put foreign importers and freight forwarders, as well as our own businessmen, on

notice of our export regulations. Over the years the officers engaged in export license work have developed a considerable body of knowledge about commodity movements and uses, and about persons engaged in legitimate trade in particular commodities. This knowledge is valuable in helping to detect and prevent questionable transactions.

SHORT-SUPPLY CONTROLS

At the present time only eight commodity groups are subject to short-supply controls, and most of these are items of considerable strategic significance. This compares with approximately 200 at the height of the shortage period during the Korean emergency.

The commodity groups now subject to short-supply controls to the free world, as well as to security controls to the Soviet bloc, are aluminum and aluminum scrap, copper and copper scrap, industrial diamonds, hog bristles, iron and steel scrap, nickel and nickel scrap, Salk vaccine, and selenium. The degree of control over these commodities varies. Aside from hog bristles, which is a special problem, nickel metal and refined copper of United States origin are under a so-called closed quota which amounts to a practical embargo. Iron and steel scrap and aluminum metal, on the other hand, are under so-called open-end control under which licenses are issued fairly freely unless it appears that undue amounts are being exported. The other items are subject either to specific quantitative quotas or special licensing restrictions.

MECHANICS OF EXPORT CONTROL

All commercial exports from the United States, except to Canada, are prohibited unless the Department of Commerce has either issued a "validated license" or established a "general license" permitting such shipments.

A validated license is a formal document issued to an exporter by the Department. It authorizes the export of commodities within the specific limitations of the document. It is based upon a signed application submitted by the exporter.

A general license is a broad authorization issued by the Department of Commerce which permits the export of some commodities under specified conditions without requiring the filing of an applicaton by the exporter. Neither the filing of an application nor the issuance of a license document is required in connection with any general license. The authority to export in such an instance is given in the Comprehensive Export Schedule, published by the Department of Commerce, which specifies the conditions under which each general license may be used.

The Positive List of Controlled Commodities is a list of commodities controlled by the Department of Commerce for either short supply or security reasons. This list is maintained on a current basis, and identifies the commodities which require a validated export license for shipment to stated destinations. As of December 31, 1955, there were 913 separate entries on the Positive List.

EXPORTS OF IRON AND STEEL SCRAP

The attention of the committee was called to the increase in the volume of exports of iron and steel scrap during 1955–56, and the accompanying increase in the price of such scrap.

It was urged, on one hand, that the large volume of exports was reducing the reservoir of scrap in the country, to an extent which would impair the Nation's ability to produce needed steel in the event of an emergency, and that the exports raised the price of scrap, and thereby put additional pressure on steel producers to raise the price of steel, with the resulting threat of price increase of steel products. It was also urged that the increased prices had the greatest impact on semi-integrated steel mills, which had no captive source of pig iron, and on the many small foundries, which were dependent on purchased scrap.

On the other hand, it was urged that all domestic needs for scrap were filled, enabling the steel industry to produce at the highest rate of production yet reached, that the high prices of scrap were necessary to bring out the needed volume of scrap, and that the prices of scrap were not out of line with the prices of pig iron and steel products. It was further urged that there was no basis for singling out exports of iron and steel scrap for the imposition of export controls, and that if such controls were exercised, export controls should also be imposed on exports of semifinished and finished steel products.

Iron and steel scrap (ferrous scrap) is an essential and integral part of the operations of the steel industry, including particularly the foundries. This scrap is obtained from several sources. About half of the scrap consumed is "home scrap," the waste or byproduct of production of semifinished and finished steel production by steel mills and foundries. This scrap is returned directly to the furnaces. The balance of the scrap consumed is "purchased scrap." This may come from either of two sources: prompt industrial scrap—the waste and byproducts of further fabrication of the steel products sold by the mills, averaging about one-third of the purchased scrap; and obsolete scrap—old railroad rails, locomotives and cars, old automobiles, farm equipment, ships, and demolished buildings and other structures.

Ferrous scrap is charged into furnaces along with pig iron, in proportions of scrap varying from about 5 to 6 percent in Bessemer furnaces, about 40 to 50 percent in open-hearth furnaces (by far the biggest consumer), about 80 percent in air furnaces, and up to about 98 percent in the case of electric furnaces (Bureau of Mines, Minerals Yearbook, 1953, Preprint, Iron and Steel Scrap).

The domestic consumption and exports of ferrous scrap and production of steel ingots are shown by the following figures:

[Gross tons, 2,240 pounds]

Year	Consumption of scrap	Exports of scrap including Canada	Production of steel ingots
1937	38,006,000	4,048,000	50,568,701
1940	39,759,000	2,791,000	59,805,055
1944	54,776,000	81,000	80,037,143
1946	44,182,000	122,000	59,455,897
1948	58,003,000	186,000	79,047,972
1949	48,516,000	263,000	69,828,824
1951	68,518,208	196,219	93,870,137
1952	61,625,549	300,440	83,175,334
1953	69,025,976	271,179	99,651,530
1954	54,780,758	1,345,786	78,849,689
1955	72,654,925	4,537,372	100,174,434

(Hearings, p. 76).

Stocks of ferrous scrap in the hands of consumers (the mills and foundries) are substantial, but lower than they were in the fall of 1955.

The high and low month-end figures for each year, and the 1956 month-end figures were as follows:

Total consumers' scrap

[Gross tons, 2,240 pounds]

Low:		High—Continued	
Jan. 31, 1947	2, 577, 000	Jan. 31, 1949	5, 384, 000
Feb. 29, 1948	3, 514, 000	Aug. 31, 1950	5, 193, 000
Sept. 30, 1949	4, 307, 000	Jan. 31, 1951	4, 876, 896
Apr. 30, 1950	4, 028, 000	Sept. 30, 1952	6, 290, 295
June 30, 1951	3, 671, 223	Dec. 31, 1953	6, 385, 494
Jan. 31, 1952	3, 889, 424	Dec. 31, 1954	6, 561, 514
June 30, 1953	5, 709, 948	Nov. 30, 1955	6, 593, 987
May 31, 1954	5, 638, 100	1956:	
July 31, 1955	6, 367, 841	Jan. 31	6, 375, 547
High:		Feb. 29	6, 400, 165
Sept. 30, 1947	4, 040, 000	Mar. 31 (preliminary)	6, 147, 000
Dec. 31, 1948	5, 415, 000		

(Hearings, pp. 74-75.)

The volume of exports of ferrous scrap is continuing in 1956 at about the same rate as in 1955 (hearings, p. 21).

Analysis of the exports of ferrous scrap in 1955 shows that almost half went from the Middle Atlantic area, followed by the South Atlantic area, the west coast and the gulf coast (hearings, p. 22). It also shows that the choice grades of scrap (Nos. 1 and 2 heavy melting steel scrap) made up 49.2 percent of the exports in 1953, 67.4 percent in 1954 and 61.4 percent in 1955 (hearings, p. 22).

The prices of steel scrap, especially the better grades, have risen rapidly since the post-Korean low of 1954. However, on the basis of the 1947–49 averages, scrap prices have not risen as far as the prices of pig iron and steel products. The following figures show these trends:

Price of steel scrap, pig iron, and finished steel, selected prices

	Composite price of No. 1 heavy melting steel scrap per gross ton (2,240 pounds) [1]	Composite price of pig iron, per gross ton (2,240 pounds) [2]	Composite price of finished steel, per net ton (2,000 pounds) [3]
1947—June	$32.79	$33.15	$57.68
1948—June	40.66	40.51	64.22
1949—June	20.78	45.91	74.10
1950—June	39.29	48.38	76.74
1951—June	43.00	52.69	82.62
1952—June	41.37	52.77	82.62
1953—June	40.97	55.32	90.34
1954—January	28.67	56.59	92.68
July	26.87	56.59	95.78
1955—January	34.63	56.59	95.94
July	39.50	58.46	101.62
1956—Jan. 10	53.67	59.09	103.48
Feb. 14	49.00	59.09	103.48
Mar. 13	47.83	59.09	103.48
Apr. 17	55.50	60.29	103.58
May 15	50.33	60.29	103.58
May 22	49.67	60.29	103.58
May 29	47.50	60.29	103.58

[1] Average of No. 1 heavy melting steel scrap delivered to consumers at Pittsburgh, Philadelphia, and Chicago.

[2] Based on averages for basic iron at Valley furnaces and foundry iron at Chicago, Philadelphia, Buffalo, Valley, and Birmingham.

[3] Weighted index based on steel bars, shapes, plates, wire, rails, black pipe, hot- and cold-rolled sheets, and strip (hearings, p. 95, brought up to date).

The price of scrap varies widely by grades and locations (hearings, p. 80). The changes in the price indexes for scrap and other commodities are shown by a table at page 81 of the hearings.

The committee noted that the price of scrap has fallen in recent weeks from the high of $55.50 (composite price of No. 1 heavy melting scrap, Pittsburgh, Philadelphia, and Chicago, per gross ton) in the latter part of April 1956, to a comparable composite price of $47.50 on May 29, 1956, with even lower prices quoted in the newspapers for later sales. The committee also noted forecasts of somewhat lower steel production during the third quarter of 1956, which would ease the pressure on ferrous scrap.

At the same time, the committee noted the adverse effects of the scrap situation during 1955–56, especially the effect of increased prices, on the smaller semi-integrated steel mills and the small foundries, which have no captive supply of pig iron available, and in many cases require high proportions of scrap for metallurgical reasons, and are largely dependent on purchased scrap in order to carry on their business.

The committee found, on the basis of the evidence before it, that the ferrous scrap situation warrants the most careful attention by the Secretary of Commerce, in order to prevent harm to the national security and in order to prevent undue adverse effects on the domestic economy. The committee expects the Secretary of Commerce to continue to keep exports of ferrous scrap under close watch, and to take prompt and forceful action to limit or reduce such exports if he finds that such restrictions should be needed to protect the national security or to protect the domestic economy from the excessive drain of scarce materials or to reduce the inflationary impact of abnormal foreign demand.

The committee also found that there are aspects of the scrap business where information is lacking; for example, with respect to stocks in dealers' hands and the volume of obsolete or obsolescent scrap and the rate at which scrap may become available. The committee was informed that the Department of Commerce intends to make a survey of the scrap situation to obtain additional information on these aspects of the scrap business.

The committee is fully convinced that additional information in this field is desirable and necessary, and recommends strongly that a survey should be made.

COMMITTEE AMENDMENT

H. R. 9052, as passed by the House, directed the Secretary of Commerce to make this survey of the iron and steel scrap situation, and required that it should be made by full-time employees of the Department of Commerce. This would have precluded the use of private research organizations and WOC (without compensation) employees of the Department of Commerce and the use of employees of the Bureau of Mines in making the survey.

The committee amended this provision to require that the survey should be conducted under the authority and direction of the Bureau of Mines. This Bureau is already collecting information and making reports on the subject of ferrous scrap, as a regular part of its mineral industry surveys. The Bureau will, under the amendment, be auth-

orized to conduct the survey in any way it deems best, and to make such use of private research organizations or other methods as it deems most advantageous. The committee expected the Bureau of Mines to prepare and submit a complete, thorough, and objective report.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the joint resolution, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

EXPORT CONTROL ACT OF 1949

* * * * * * *

SEC. 12. The Authority granted herein shall terminate on June 30 [1956] *1958*, or upon any prior date which the Congress by concurrent resolution or the President may designate.

90003°—57 S. Rept., 84–2, vol. 3——93